SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2006
Volume 3

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: www.auditor.sk.ca

ISSN 0581-8214

Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

SASKATCHEWAN

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

2007-00913

November 27, 2006

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2006 Report – Volume 3*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2006 Reports

In 2006, our Office issued seven other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  www.auditor.sk.ca
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:
  Provincial Auditor Saskatchewan
  1500 Chateau Tower
  1920 Broad Street
  Regina, Saskatchewan
  S4P 3V2
  Phone: (306) 787-6398
  Fax: (306) 787-6383

Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2005 Financial Statements of CIC Crown Corporations and Related Entities: April 2006*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2005 Calendar Year: April 2006*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2006 Report – Volume 1 (May 2006)*
- *Annual Report on Operations For the Year Ended March 31, 2006 (June 2006)*
- *Report to the Standing Committee on Public Accounts Regarding Oyate ataya WaKanyeja OwicaKiyapi Inc.: June 2006*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2006 Report – Volume 2 (September 2006)*
- *Business and Financial Plan For the Year Ended March 31, 2008: As Presented to the Standing Committee on Public Accounts: November 2006*

Table of Contents

Chapter	Topic	Page
1	Key messages	1
	Part A – Observations	3
	Part B – Compilation of main points	13
2	Health	29
	Part A – Health	33
	Part B – Financial performance of the health system	63
	Part C – Regional Health Authorities	75
	Part D – Prince Albert Parkland Regional Health Authority—Immunization coverage	89
	Part E – Saskatchewan Association of Health Organizations	101
3	Learning	113
4	Community Resources	131
	Part A – Community Resources	133
	Part B – Oyate ataya WaKanyeja OwicaKiyapi Inc.—Special investigation	153
5	Environment	185
6	Information Technology Office	207
7	Public Service Commission	223
8	Liquor and Gaming Authority	231
	Part A – Liquor and Gaming Authority	233
	Part B – Saskatchewan Indian Gaming Authority Inc.	249
9	Saskatchewan Gaming Corporation	271
10	Property Management	287
11	Agriculture and Food	293
12	Saskatchewan Power Corporation	311
13	Financial status of pensions	319
14	Public plans and annual report assessments	331
15	Finance	343

Table of Contents

Chapter	Topic	Page
16	Justice	371
17	Government Relations	383
18	Northern Affairs	389
19	First Nations and Métis Relations	395
20	Highways and Transportation	403
21	Industry and Resources	411
22	Labour	417
23	Board of Internal Economy	423
24	Standing Committee on Public Accounts	431

Appendix 1 *The Provincial Auditor Act* 1-1

Appendix 2 List and status of agencies subject to examination under *The Provincial Auditor Act* 2-1

Appendix 3 Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations 3-1

Key messages

1

Part A – Observations....3

Part B – Compilation of main points....13

This page left blank intentionally.

Observations

1A

Introduction 5

Risk management 5

Economic constraints 6

Advancing technologies 9

Population change 10

Pressure on the environment 11

Government accountability 11

Public plans and annual reports 11

Acknowledgement 12

This page left blank intentionally.

Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 275 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with March 31, 2006 year-ends. Our 2006 Report – Volume 1 covers mainly agencies with December 31, 2005 year-ends.

For the most part, the nearly 125 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements. However, serious problems exist at some agencies. The Government needs to fix these problems.

Also, many government agencies continue to improve their public accountability.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include advancing technologies, economic constraints, globalization, pressures on the environment, and population changes.

Government agencies that are managed well have good governance practices. They have a clear plan of what they want to do; they determine the risks that may prevent them from carrying out their plan; and they have strategies to reduce their risks. They also monitor their progress in achieving their plans.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

Under the headings of economic constraints, advancing technologies, population changes, and pressure on the environment, I highlight some of my Office's work related to these key forces and trends.

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these conflicting pressures.

When agencies do not carry out their duties effectively, it can lead to poor or improper use of public resources. For example:

- some agencies have not finished setting direction
- some agencies need to improve their written policies to better safeguard public resources
- some agencies have good written policies for safeguarding public resources, but employees do not always follow them
- some agencies have not adequately carried out their duties to supervise agencies that are accountable to them

Chapter 2—Health makes several recommendations to improve the delivery of health services. These recommendations include:

- The Department should clearly set out its expectations for health outcomes for the regional health authorities. It then needs to monitor the performance of the authorities and take corrective action when necessary.

- The boards of the regional health authorities should set performance targets for their authorities, monitor performance, and take corrective action when necessary.

- Regina Qu'Appelle and the Saskatoon Regional Health Authorities should establish better practices to reduce injuries to care staff.

We set out six measures to help legislators and the public assess the sustainability of health spending in Saskatchewan. A sound understanding of the health system's finances is important for an informed debate about the issues facing the health system. These issues include the affordability of services and the maintenance of the health system's infrastructure. One of the measures shows that health spending is growing faster than the provincial economy and the consumer price index.

We report that the Department's practices have improved for overseeing the spending of community-based organizations that it finances. The Department needs to make sure that these organizations only use public money to deliver agreed-upon services. We report on the actions the Department has taken as a result of our special investigation of a community-based organization called the Métis Addictions Council of Saskatchewan Inc.

We report that the Prince Albert Regional Health Authority needs to improve its practices to achieve recommended immunization rates (i.e. 95%) for two year old children. In 2005-06, the Authority's reported immunization rate is 67%. If a region does not maintain sufficient immunization coverage, it risks communicable disease outbreaks in local communities and the possibility of the diseases spreading to other locations.

Chapter 3—Learning reports that the Department needs to improve its practices over student aid and provincial training allowances. To qualify for assistance, students must meet a financial needs test. The Department needs to do more to ensure that people receiving assistance are entitled to it.

Chapter 4—Community Resources reports on how the Department must continue to improve its supervisory practices to ensure employees follow prescribed policies. In Volume 1 of our 2005 Report, we reported that the Department incurred a loss of about $1 million. An employee misused public money that was intended for social assistance payments.

The Department provides financial help to people who meet a financial needs test. The Department has good written policies to help ensure only eligible people receive aid. We report that employees are improving their compliance with those policies, but more work is needed to ensure that the people receiving assistance are entitled to it. Until employee compliance with the Department's approved policies improves, the risk of misuse of public money remains. We also report the Department is improving its child protection practices.

The Department needs to better supervise the community-based organizations that receive money from it. It has to ensure money is used for intended purposes and achieves desired results.

Chapter 5—Environment reports that the Department is making slow progress in improving practices that help ensure public money is safeguarded and controlled. In Volume 1 of our 2005 Report, we reported the need to improve practices to prevent the misuse of public money. We reported a loss and possible loss of public money totalling about $500,000. Many of the conditions that resulted in the loss continue. The Department remains vulnerable to further losses of public money.

Chapter 8—Liquor and Gaming Authority reports that the Authority has improved its supervision of Saskatchewan Indian Gaming Authority Inc. (SIGA). We made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. Those recommendations are now implemented except that Liquor and Gaming needs to finish setting SIGA's policies for cultural events.

SIGA has made good progress in preparing written policies to control its spending except for cultural events. However, SIGA needs to better supervise employees to ensure they comply with those policies. In 2006, SIGA spent money on marketing, promotion, sponsorship, and travel that did not comply with approved policies.

Chapter 13—Financial status of pensions reports on the status of the Government's plan to pay for its outstanding pension debt. At March 31, 2006, the Government's pension debt was $4.3 billion. In 2001, the Government presented a debt management plan to the Standing Committee on Public Accounts for how it would pay for this debt. According to the debt management plan the Government does not intend to fully fund these pension plans, but rather intends to eliminate the pension debt by paying all pensions over the lifetime of the members (i.e., over the next 50 to 60 years).

Advancing technologies

Advances in information technology have a large impact on the risks at government agencies.

Computer systems and networks bring new risks to the security (i.e., accessibility, integrity, and confidentiality) of information that agencies use to manage. For information to be accessible, agencies must have plans to operate if their systems fail.

Chapter 6—Information Technology Office reports on the services the Office delivers to government departments. The Office has begun to deliver computer services to government departments that were previously delivered by those departments. The consolidation of computer services is intended to reduce costs; and improve security and services to the public.

We report that the Office and departments need clear written agreements that set out service, security, and disaster recovery expectations. Clear written agreements are necessary for the Office and its clients (i.e. departments) to properly protect clients' data. Also, we report that the Office needs to follow its security policies and procedures, and prepare a disaster recovery plan that meets its clients' needs. In other chapters of this report, we recommend that departments must have strong security practices and be able to continue their operations if the Office is unable to provide services. The success of the Office depends on reliable and secure service to the departments.

Chapter 9—Saskatchewan Gaming Corporation reports on the Corporation's practices to install a new electronic gaming system. The Corporation's used many good project management practices, but the transition to the new system was not well-handled. The transition deficiencies caused poor control over slot machine revenue. As a result, the Corporation does not know if it received all slot machine revenue during the year.

Chapter 2—Health reports on the payroll system the Saskatchewan Association of Health Organizations (SAHO) uses to pay employees of the regional health authorities and other health care agencies. SAHO prepares the payroll for approximately 37,000 people. We report on the central controls over security, integrity, and availability of the system.

SAHO has contracted out part of the work that it does for regional health authorities to two parties. Thus, the security, integrity, and availability of the regional health authorities' data also depend on the adequacy of the controls of these two parties. SAHO needs to take steps to carefully monitor the controls of these two parties.

A number of chapters report that agencies need to prepare good business continuity plans. These agencies may be unable to deliver services, lose essential information, or incur increased costs if they have a major disruption and cannot resume operations in a timely way. See *Chapter 23—Board of Internal Economy*, *Chapter 4—Community Resources*, *Chapter 5—Environment*, *Chapter 15—Finance*, *Chapter 2—Health*, *Chapter 20—Highways and Transportation*, *Chapter 16—Justice*, and *Chapter 8—Liquor and Gaming Authority*.

Population change

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. This year, we continued our focus on human resource planning.

Public sector agencies need sound human resource plans. Human resource planning helps to ensure agencies have the right people, with the right skills, at the right times to achieve their objectives.

Chapter 7—Public Service Commission reports that the Commission leads human resource planning for government departments. The Commission is making changes to its practices for helping departments. In several chapters of this report, we note the need to improve departments' human resource plans. Although departments are using the Commission's guidance many of their plans need improvement.

Chapter 8—Liquor and Gaming Authority reports on the Authority's succession management practices. The Authority has reasonable succession management practices, but needs to improve documentation and communication.

Chapter 8B—Saskatchewan Indian Gaming Authority Inc. reports on the Authority's progress in complying with our 2003 recommendations to prepare and implement a sound human resource plan. The Authority has made good progress.

Pressure on the environment

Chapter 5—Environment reports on the Department's practices for regulating the quality of air and drinking water. In 2004, we made recommendations to improve the regulation of air quality. In 2005, we made recommendations to improve the regulation of water quality.

We report that the Department has complied with our recommendations regarding water quality and has made some progress complying with our recommendations regarding air quality, but considerable work remains.

Government accountability

My Office continues to focus on improving the Government's accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

Public plans and annual reports

The Department of Finance issues guidelines for the yearly incremental improvement of plans and annual reports. It bases the reporting guidelines on the most current Canadian principles for annual reports in the public sector. The guidelines are based on a publication by CCAF-FCVI Inc. We encourage all government agencies to use these guidelines to improve their reports.

Chapter 14—Public plans and annual reports assessments describes our assessment of the 2006 public performance plans and annual reports of 15 government agencies. These agencies have generally complied with the Department of Finance's guidelines.

The plans and reports of these 15 agencies provide more information than they did previously. Legislators and the public now have better information to judge the performance of these agencies. We will continue to monitor how agencies improve their performance plans and annual reports.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Bailey, Brendan
Bernath, Eric
Blelloch, Kevin
Bogdasavich, Michelle
Borys, Angèle
Clemett, Tara
Creighton, Kerri
Deis, Kelly
Dickin, Deann
Drotar, Charlene
Duran, Jason
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Jensen, Rory
Kahovec, Steven
Knox, Jane
Kotylak, Jonathan
Kress, Jeff
L'Heureux, Desirée
Lindenbach, Michelle
Lipoth, Becky
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Mowat, Audra
Nyhus, Glen
O'Quinn, Carolyn
Pattullo, Candice
Pritchard, Brent
Ross, Chantara
Rybchuk, Corrine
Schiller, Rita
Schwab, Victor
Shaw, Jason
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Toth, Stephanie
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Wendel, Leslie
Zerr, Jennifer

Compilation of main points

1B

Chapter 2—Health 15

Chapter 3—Learning 16

Chapter 4—Community Resources 17

Chapter 5—Environment 18

Chapter 6—Information Technology Office 18

Chapter 7—Public Service Commission 19

Chapter 8A—Liquor and Gaming Authority 20

Chapter 8B—Saskatchewan Indian and Gaming Authority Inc. 20

Chapter 9—Saskatchewan Gaming Corporation 21

Chapter 10—Property Management 21

Chapter 11—Agriculture and Food 21

Chapter 12—Saskatchewan Power Corporation 22

Chapter 13—Financial status of pensions 23

Chapter 14—Public plans and annual report assessments 23

Chapter 15—Finance 24

Chapter 16—Justice 24

Chapter 17—Government Relations 25

Chapter 18—Northern Affairs 25

Chapter 19—First Nations and Métis Relations 25

Chapter 20—Highways and Transportation 26

Chapter 21—Industry and Resources 26

Chapter 22—Labour 26

Compilation of main points

1B

Chapter 23—Board of Internal Economy 27

Chapter 24—Standing Committee on Public Accounts 27

Chapter 2—Health

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from regional health authorities (RHAs) to monitor their progress in achieving Health's objectives and to hold them accountable for their annual spending of $2.2 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Health also needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes.

The Saskatchewan Cancer Foundation (Foundation) needs to complete the setting of the performance targets needed to monitor the Foundation's progress in achieving its objectives. The Foundation must strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data. It also needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable in case of a disaster.

We also examined the progress made by the Regina Qu'Appelle and Saskatoon RHAs in implementing our 2003 recommendations to reduce work-related back and shoulder injuries to care staff. Saskatoon and Regina Qu'Appelle RHAs are taking action to reduce injuries; Regina Qu'Appelle is progressing more slowly.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

In Part D, we note that the Prince Albert RHA needs to improve its processes to achieve recommended immunization rates (i.e., 95%) for two-year olds. Immunization is an essential primary health service that reduces the incidence of disease, severity of illness, and frequency of hospitalization. The RHA's processes to create opportunities to immunize children by working with others and to monitor immunization coverage need improvement. The RHA's reported immunization rate is 67% for two-year olds who have received at least one injection from the RHA.

Part E describes how the Saskatchewan Association of Health Care Organizations (SAHO) needs to strengthen its processes to ensure the security, integrity, and availability of its payroll system. SAHO provides payroll services to over 37,000 people in almost all health care agencies in the province including the employees of the 12 RHAs. We make four recommendations for improving the payroll system.

Chapter 3—Learning

The Department of Learning oversees the learning sector including its various partners (such as school boards, universities, regional colleges, public libraries). During 2005-06, the Department spent over $1 billion delivering its program and services.

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, and at the right time to meet the Department's goals and objectives.

The Information Technology Office (ITO) now delivers information technology services to the Department and Saskatchewan Apprenticeship and Trade Certification Commission (SATCC). The Department and SATCC need to sign a service level agreement with ITO to ensure all the Department and SATCC's needs are met.

In our 2005 Report – Volume 3 and prior reports, we made recommendations for the Department to improve its processes to safeguard public resources. During 2006, the Department made some progress in addressing our outstanding recommendations. An update on each recommendation is provided.

We also report the results of our audit on the reliability and understandability of the Department's performance information. We concluded that the performance information reported by the Department for Goal 1 of its 2005-06 Annual Report is reliable and understandable.

Chapter 4—Community Resources

Part A of this chapter notes that the Department of Community Resources (DCR) needs to strengthen its processes to ensure that it spends public money only for the purposes intended by the Legislative Assembly. DCR needs to continue to strengthen its processes:

- to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance
- to ensure that it protects children and that payments to care givers are authorized
- to improve its assessment of community-based organizations' progress in achieving DCR's objectives

DCR needs a business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We also examined DCR's actions on our 2004 recommendations to strengthen its processes to measure its progress in helping social assistance recipients and others seeking financial assistance to find and keep work. We found that DCR's actions are not yet adequate to implement our recommendations.

Part B describes our special investigation of Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate) in response to the March 9, 2006 request of the Standing Committee on Public Accounts. The Committee asked our Office to carry out an immediate special investigation of the services, administration, and operations of Oyate including any allegations of wrong-doing. The findings and conclusions were reported to the Members of the Standing Committee on Public Accounts in June 2006 (see www.auditor.sk.ca).

Chapter 5—Environment

In our 2005 Report – Volume 1, we reported that the Department of Environment (Department) incurred a loss of public money and possible loss of public money totalling about $500,000. We identified several deficiencies in the Department's controls to reduce the risk of error or fraud and made several recommendations. In our 2005 Report – Volume 3, we made other recommendations to help the Department improves its processes to safeguard public resources.

In 2006 we examined the progress the Department made in addressing our recommendations. The Department has established rules and procedures to safeguard public resources but faces challenges in ensuring staff follow them. As a result, many of our recommendations remain outstanding. It is challenging for the Department to address our recommendations without a plan to do so. The Department needs a plan setting out when and how it will fully address our recommendations, and whether it has the resources to do so. In addition, a better human resource plan would help the Department determine the competencies it needs to those that exist along with strategies to address any gaps. We also make three new recommendations to help the Department improve its processes to safeguard public resources.

We also report that the Department needs to do more work to address our recommendations to better regulate air emissions. The Department addressed our recommendations relating to regulating the quality of drinking water.

Chapter 6—Information Technology Office

The Information Technology Office (ITO) provides information technology (IT) services to client departments. We audited whether the ITO safeguarded public resources and complied with the law. It did so. We also audited the ITO's controls to protect the confidentiality, integrity, and availability of client IT systems and data. As well, we followed up on an earlier service delivery audit.

The ITO has set up the foundation for a secure data centre. During the audit period, the ITO worked at implementing its security processes while it continued to add new clients and provide additional services. We found that the ITO had adequate controls to protect client IT systems and data for the period October 1, 2005 to March 31, 2006 except the ITO needs to:

- perform quality assurance tests to ensure its security policies and procedures are followed
- follow its security policies and procedures
- protect its systems and data from security threats
- implement a disaster recovery plan for its data centre and client systems

To maintain the security of client IT systems and data, the ITO needs to continue to strengthen its processes and monitor its operations as it continues to grow.

We also followed up our earlier audit of the ITO's processes to manage the delivery of agreed-upon services to clients. We continue to recommend that the ITO work with its clients to implement agreements that govern service delivery, security, and disaster recovery. We continue to recommend that the ITO sign adequate agreements with its clients before delivering IT services to them.

Chapter 7—Public Service Commission

Public Service Commission (PSC) leads the development and coordination of human resource planning across departments. It also prepares a human resource plan for its own activities which it needs to improve.

In 2005-06, PSC took steps to better lead human resource planning across departments, but some work remains. It provided departments with better guidance on human resource planning. For example, it trained departments on a formal process to help them identify and analyze human resource risks. PSC plans to apply the formal process to the across-department plan in the next planning cycle. In addition, PSC, along with departments, agreed upon a more manageable number of near-term human resource priorities. PSC needs to ensure departments agree that the longer-term priorities are manageable.

Also, PSC needs a written agreement with the Information Technology Office (ITO). Since March 2006, PSC receives information technology services from ITO. PSC remains responsible for the integrity of these services. A written agreement is essential so that PSC can monitor ITO's services.

Chapter 8A—Liquor and Gaming Authority

Succession planning is critical to ensure an effective workforce is ready to assist the agency to achieve its objectives. We report that the Liquor and Gaming Authority (Liquor & Gaming) needs to document and communicate potential competency gaps, document employees' career goals and action plans, and document and monitor the progress of its succession strategies.

We also report that Liquor & Gaming needs to better control its bank accounts. In addition, Liquor & Gaming needs to prepare a business continuity plan and ensure its employees understand and comply with the code-of-conduct and conflict-of-interest policies.

Chapter 8B—Saskatchewan Indian and Gaming Authority Inc.

In this chapter, we report the results of our audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2006 and our follow-up on SIGA's processes to build human resource capacity. We report that SIGA continues to make progress to safeguard public resources.

By the year-end, SIGA had fully implemented 70% of our past recommendations, partially implemented 27% of those recommendations, and continued to work on the one remaining recommendation.

SIGA also continues to work on building its human resource capacity. It needs to improve its human resource plan by projecting its future human resource needs and determining gaps between resources needed and access to these resources. Management also needs to provide the Board information on the effectiveness of its training activities.
In this chapter, we also describe our plan to examine SIGA's project management processes for the Dakota Dunes Casino project.

Chapter 9—Saskatchewan Gaming Corporation

In this chapter, we report the results of our audit of the Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2006 including SGC's project management processes.

We report that SGC needs to improve its human resource plan and promptly establish revised rules and procedures when it changes its systems. Also, SGC needs to follow its approved rules and procedures relating to marketing and promotion, confirmation of compliance with SGC's code-of-conduct, and completion of all employees' performance evaluations.

SGC implemented a new casino management system. We concluded that SGC had adequate project management processes to implement this system except that it needs to improve three things. First, it needs to improve project reporting to senior management and the Board. Second, it needs to monitor and track the achievement of the benefits it set out for the project. Lastly, it needs to document the results of testing the new systems and the follow up of all risks before the new systems become operational.

Chapter 10—Property Management

The Department needs to segregate the duties of employees who make purchases using procurement cards (i.e., credit cards) by removing their ability to approve payment for those purchases.

The Department needs to prepare and independently review and approve all significant reconciliations promptly.

The Department needs to follow its established information technology policies and procedures so that its data is protected from disclosure, modification, or loss.

Chapter 11—Agriculture and Food

The Department is responsible for 14 agencies with March 31year-ends. The Department and each of these agencies complied with the authorities governing their activities except for Saskatchewan Agricultural Stabilization Fund (SASF). Each agency prepared reliable financial statements for the year ended March 31, 2006 except for SASF, which recorded transfers from the General Revenue Fund incorrectly. Also, the Department and these agencies had adequate processes to safeguard public resources except for SASF, Saskatchewan Crop Insurance Corporation (SCIC), and Pastures Revolving Fund.

For the last two years, the Department did not prepare an annual report for SASF or provide the Fund's financial statements to the Assembly by the date required by law.

SCIC needs to strengthen its processes for estimating and paying insurance claims that farmers submit. During 2005-06, SCIC lost public money totalling $286,000 resulting from paying incorrect claims.

We continue to recommend that the Department include sufficient guidance on financial reporting in the Pastures Revolving Fund's Financial Manual.

As at June 30, 2006, the Department had adequate systems for succession management except for the processes it uses to analyze the impact of future workforce gaps on the achievement of its objectives.

Chapter 12—Saskatchewan Power Corporation

Saskatchewan Power Corporation (SaskPower) incurred a loss of public money totalling nearly $190,000 over a period of four years, because of poor supervision of and ineffective direction to staff and lack of segregation of duties.

Agencies with effective boards, strong management, and control systems cannot prevent or detect all losses of public money. Nevertheless, they can take steps to reduce the risk of such losses.

In this chapter, we recommend SaskPower take additional steps to reduce the risk of future losses of public money. SaskPower should educate its staff on the importance of controls to safeguard public resources and the warning signs that may indicate fraud and error. SaskPower's management should determine if the duties they assign to staff contribute to sound control. Where these duties, as assigned, increase the risk of fraud and error, management should set out procedures they will use to reduce the risk of undetected fraud and error.

Chapter 13—Financial status of pensions

In 2001, the Department of Finance gave the Standing Committee on Public Accounts (PAC) a report and presentation setting out how the Government plans to address its pension debt. The Department provided financial information and data and concluded that the Government would eliminate the pension debt by paying retirement benefits and making required contributions over the next 50 to 60 years. The Department also concluded that the payments are manageable and affordable.

In this chapter, we study how the Department's projections compare to the actual financial and economic performance. The study showed that the Government is better able to afford its pension debt in 2006 then it was in 2000. We encourage legislators and the public to use the updated information in this chapter to discuss the Government's management of its pension debt.

Chapter 14—Public plans and annual report assessments

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and certain other agencies. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines should enable government agencies to report effectively their progress in achieving their plans.

We assessed the public plans and annual reports of thirteen departments, and two Crown agencies for the year ended March 31, 2006. The plans and annual reports contain most of the current requirements of the Department's reporting guidelines. The plans and reports provide more performance information than they did previously and thus enhance public accountability.

Chapter 15—Finance

To understand and assess the Government's financial performance, legislators and the public should use the Government's summary financial statements.

The usefulness of the General Revenue Fund's (GRF) financial statements is limited. These statements account for only a portion of the Government's activities and include significant errors that affect the reported annual surplus. Users should consider the impact of these limitations when using the GRF financial statements.

The Department of Finance needs to revise its service agreement with the Information Technology Office. The service agreement does not adequately address information technology security and disaster recovery. Also, Finance should improve its human resource plan to help it continue to have the right employees in the right jobs. It must also complete its business continuity plan. Complete business continuity plans help agencies provide critical services if a disaster occurs.

Since 2003, Finance has been replacing, in phases, the central financial and human resources system. Finance used an approved, written contingency plan to manage implementation of the most recent phase. Finance is not tracking all of the costs, i.e., costs incurred by other departments, to replace the old system. As a result, legislators and the public cannot know the total cost of the project.

The Judges of Provincial Court Superannuation Plan and Public Service Superannuation Plan still need to improve their pension plan governance. Also, the Public Employees Pension Plan needs to complete its business continuity plan, and improve its procedures for monitoring investments and its information technology security policies.

Chapter 16—Justice

The Department of Justice (Justice) needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges. As a result, Justice may not achieve its goals of safer communities and upholding the rule of law.

Justice needs to complete and implement its business continuity plan and improve its human resource plan.

The Public Guardian and Trustee of Saskatchewan needs to improve its controls over payments made on behalf of dependent adults to prevent duplicate payments.

Chapter 17—Government Relations

The Department of Government Relations (Department) needs to set up processes to protect the confidentiality, integrity, and availability of its information technology (IT) systems. Even though the Department uses the Information Technology Office to provide it with IT services, the Department must have adequate policies and processes over its IT systems. This would include having strong controls and processes to ensure only authorized users are granted access to its systems and data, and its systems are available when needed.

Chapter 18—Northern Affairs

The Department needs to follow its established procedures for approving loans and having all required loan documents completed before disbursing loans.

Also, the Department needs to improve the management of its Northern Development Fund Loan Program. The program provides fixed-term loans to persons in Northern Saskatchewan for economic development. The Department needs to ensure that its employees adequately monitor the outstanding loans and document evidence of such monitoring.

Chapter 19—First Nations and Métis Relations

In this chapter, we report that the Department of First Nations and Métis Relations (Department) is improving its monitoring of $33.3 million provided to the First Nations Trust Fund and four community development corporations (organizations). It is starting to receive the required information sooner from these organizations and is working with them to address reported problems. However, it did not yet receive sufficient information to know if all of these organizations spend this money as permitted by law.

Also the Department needs to prepare a human resource plan and complete the development of its performance plan. Managing with complete and robust plans will help ensure the Department's success.

Chapter 20—Highways and Transportation

Since April 2005, the Department of Highways and Transportation has received information technology services from the Information Technology Office without having a written agreement. Highways relies on its computer systems to operate. Written agreements typically set out the responsibilities of each party (e.g., the nature, level, and type of services expected), and are vital to monitor the delivery of service.

Highways needs to complete its business continuity plan. Complete and accessible business continuity plans would help Highways respond to unforeseen events or disasters efficiently and effectively.

Chapter 21—Industry and Resources

The Department of Industry and Resources (Department) needs to improve its human resource plan to ensure it has the right employees, in the right jobs, and at the right time to meet the Department's goals and objectives.

The Department should document its human resource needs and the resources required. The Department also needs to assign responsibility to implement the human resource strategy.

Chapter 22—Labour

We audited whether the Department of Labour safeguarded public resources and complied with the law. It did so.

We also followed up our earlier audit of the Department's processes for assisting clients of its worker's advocate program. The Department has improved its processes. It has set clear performance expectations for the program. Also, the Department monitors the program's achievement of these expectations.

Chapter 23—Board of Internal Economy

The Board of Internal Economy (Board) needs to make further improvements in three areas.

The Board needs to approve the plans and reports it uses to make decisions. The Board should receive reports that provide the information it requires to assess performance.

The Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

The Board needs to complete its business continuity plan to help it to continue to deliver its vital services in the event of a disaster.

Chapter 24—Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations. During its review, the Committee can inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public assets. The Government has fully implemented 66% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 79% are partially implemented.

This page left blank intentionally.

Health

2

Main points 31

Part A – Health 33

Part B – Financial performance of the health system 63

Part C – Regional Health Authorities. 75

Part D – Prince Albert Parkland Regional Health Authority—Immunization coverage 89

Part E – Saskatchewan Association of Health Organizations 101

This page left blank intentionally.

Main points

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from regional health authorities (RHAs) to monitor their progress in achieving Health's objectives and to hold them accountable for their annual spending of $2.2 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Health also needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes.

The Saskatchewan Cancer Foundation (Foundation) needs to complete the setting of the performance targets needed to monitor the Foundation's progress in achieving its objectives. The Foundation must strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data. It also needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable in case of a disaster.

We also examined the progress made by the Regina Qu'Appelle and Saskatoon RHAs in implementing our 2003 recommendations to reduce work-related back and shoulder injuries to care staff. Saskatoon and Regina Qu'Appelle RHAs are taking action to reduce injuries; Regina Qu'Appelle is progressing more slowly.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

In Part D, we note that the Prince Albert RHA needs to improve its processes to achieve recommended immunization rates (i.e., 95%) for two-year olds. Immunization is an essential primary health service that reduces the incidence of disease, severity of illness, and frequency of hospitalization. The RHA's processes to create opportunities to immunize children by working with others and to monitor immunization coverage need improvement. The RHA's reported immunization rate is 67% for two-year olds who have received at least one injection from the RHA.

Part E describes how the Saskatchewan Association of Health Care Organizations (SAHO) needs to strengthen its processes to ensure the security, integrity, and availability of its payroll system. SAHO provides payroll services to over 37,000 people in almost all health care agencies in the province including the employees of the 12 RHAs. We make four recommendations for improving the payroll system.

Health

2A

Introduction 35

Government spending on health 35

Crown agencies 35

Our audit conclusions and findings 37

- Monitoring performance needs improvement 38
  - Accountability of health agencies to Health 38
- Safeguarding public resources 39
  - Control of capital assets 39
    - Control of capital assets 39
    - Accounting policies not consistent with GAAP 40
  - Verification of doctor services needs strengthening 41
  - Verification of pharmacist services not performed 42
  - Internal audit needs strengthening 43
  - Controls over lab revenue needed 43
  - Salary overpayments made 44
  - Business continuity plan required 45
  - Human resource plan needs to improve 45

Saskatchewan Cancer Foundation 46

- Setting direction and monitoring performance 46
  - Board needs to complete the setting of performance targets 46
- Safeguarding public resources 48
  - Information technology processes need to be strengthened 48
  - Business continuity plans needed 49
  - Service agreement with SAHO needed 49

Follow-up of recommendations 50

- Health resource allocation processes follow-up 50
  - Priorities and objectives for health 51

- Monitor and report achievement of objectives ... 52
- Summary ... 52

Reducing injuries to care staff follow-up ... 52
- Board commitment to reduce injuries ... 53
- Staffing to reduce injuries ... 54
- Active occupational health committees ... 55
- Summary ... 56

Métis Addictions Council of Saskatchewan Inc. follow-up ... 57
- MACSI Board ... 58
- Health ... 59

Saskatchewan Prescription Drug Plan follow-up ... 60
- Our follow-up ... 60

Introduction

The Department of Health's (Health) mandate is to protect and improve the health of Saskatchewan people. To do this, Health provides policy direction, direct services, and funding to health providers and health agencies.

Government spending on health

For the year ended March 31, 2006, Health received $3.0 billion from the General Revenue Fund for its programs. Health also raised revenue of $28.3 million. Health's annual report contains information about its revenues and expenses (see www.health.gov.sk.ca/).

Table 1 shows total health revenues of $3.25 billion by source for the year ended March 31, 2006. Table 2 shows total health costs of $3.24 billion by program for the year ended March 31, 2006. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

We discuss health spending in the province in more detail in Part B of this chapter.

Crown agencies

Health is responsible for the following Crown agencies.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Year-end December 31
SAHO Disability Income Plan – C.U.P.E.
SAHO Disability Income Plan – S.E.I.U.
SAHO Disability Income Plan – S.U.N.
SAHO Disability Income Plan – General
SAHO Core Dental Plan
SAHO In-Scope Extended Health/Enhanced Dental Plan
SAHO Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO Group Life Insurance Plan
SAHO Master Trust Combined Investment Fund

Table 1

Health Sector **Revenues** by Source for the year ended March 31
(in millions of dollars)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Revenue Fund	$ 2,991	$ 2,774	$ 2,516	$ 2,343	$2,200	$2,076	$ 1,956	$1,789	$1,677	$1,608
Service fees revenue	136	126	121	113	110	109	99	97	99	95
Transfers from other governments	28	26	28	18	28	23	21	21	19	17
Ancillary revenue	19	17	26	22	20	18	17	16	15	15
Donations	19	16	15	18	15	17	12	16	15	9
Investment income	5	4	5	7	9	11	11	9	9	10
Other	47	74	59	69	43	38	43	55	28	42
Total revenues	$3,245	$ 3,037	$ 2,770	$ 2,590	$2,425	$2,292	$ 2,159	$2,003	$1,862	$1,796

Table 2

Health **Costs** by Program for the year ended March 31
(in millions of dollars)

	2006	2005	2004*	2003*	2002*	2001*	2000*	1999*	1998*	1997*
Acute Services	$ 1,259	$ 1,169	$ 1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627	$ 592
Supportive care services	634	585	554	512	507	482	447	417	389	387
Medical services and education	533	496	455	446	421	401	384	392	384	353
Community care services	314	286	277	305	276	252	235	218	205	189
Prescription drugs	229	212	194	173	156	141	128	115	98	94
Provincial health services	190	175	162	144	136	122	102	97	92	84
Central Support Services	50	44	46	23	21	16	32	22	22	23
Other	30	26	34	44	60	43	38	39	23	52
Total costs	$ 3,239**	$ 2,993	$ 2,785	$ 2,610	$ 2,477	$2,281	$ 2,163	$1,983	$1,840	$ 1,774

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (see www.gov.sk.ca/finance/paccts) and the March 31, 2006 financial statements of the RHA Health Boards and other government health agencies.

* Health costs by program have been reclassified to conform with the Department of Health's current expense categories. Prior year numbers have been restated to conform with this new classification.

** The Government's summary financial statements (SFS) for the year ended March 31, 2006 show health costs of $3,222 million, a difference of $17 million from the total health costs in Table 2. This difference is due to inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.

Our audit conclusions and findings

Our 2005 Report – Volume 3 reported that we had not completed the audits of the financial statements of the Board of Governors, Uranium City Hospital (Board) and the Saskatchewan Association of Health Organizations (SAHO) and its benefits plans. The Board and SAHO had not prepared financial statements for the year ended March 31, 2005, and SAHO had not completed financial statements for its benefits plans for the year ended December 31, 2004. We have now completed the audits of the financial statements for both agencies and found them to be reliable.

We have completed the audits of Health and the Crown agencies listed except for the audit of the SAHO Group Life Insurance Plan financial statements, which are not prepared at the date of this report. We have also not completed the audits of SAHO's and its benefit plans' rules and procedures to safeguard public resources and compliance with authorities. The members of SAHO decided not to renew the contract of their appointed auditor. Instead, they appointed us as auditor of SAHO and its benefits plans on April 11, 2006. As a result, we were late in starting the audits. We will report the results of these audits in a future report.

Our audit opinions below include the results of Health and other agencies except for our audits of the 12 regional health authorities. These are reported in Part C—Regional Health Authorities of this chapter.

In our opinion, for the year ended March 31, 2006:

- **Health and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Health and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**

- **the financial statements for the agencies listed earlier are reliable**

Monitoring performance needs improvement

Health needs to strengthen its supervisory controls over regional health authorities (RHAs) and other health agencies.

Health must ensure that RHAs and other health agencies are achieving Health's objectives. To do this, Health needs to supervise the performance of these agencies.

Health's supervisory controls were not adequate in the following areas.

Accountability of health agencies to Health

Health paid RHAs $1.9 billion in 2005-06 to provide health services to residents of Saskatchewan. In previous reports, we recommended that Health receive complete and timely information to ensure public money entrusted to the RHAs is used properly.

Health paid a further $125 million to other health agencies and the University of Saskatchewan for health-related services. Health has processes to monitor these agencies. It requires quarterly and annual financial and performance reports. Health does not always receive timely information to ensure public money entrusted to other health agencies and the University of Saskatchewan is used properly.

Health and the RHAs have worked together in recent years to agree on the format of quarterly and annual performance reports that show the RHAs' progress in achieving Health's objectives. The agreed-upon reports include a wide range of performance measures. The reports are timely but contain few performance targets. Performance targets are essential to performance reporting because targets describe the level of desired performance, i.e., quantity, quality, and timing of expected performance.

We reported a similar matter in previous years. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department of Health receive complete information to ensure that the public money entrusted to RHAs and other health agencies is used properly.

Health needs written policies and procedures (processes) for monitoring the reports it receives from RHAs and other health agencies and for taking corrective action if needed. Such processes, approved by senior management, would guide staff in how to monitor the RHAs' and other health agencies' performance, how to assess whether progress is satisfactory or needs improvement, and how to take or recommend corrective action if required. Without adequate monitoring of the RHAs' and other health agencies' performance, Health's senior management may make decisions based on incomplete information. Health has not yet developed written policies and procedures.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Health establish written policies and procedures for monitoring the regional health authorities' and other health agencies' performance reports and taking corrective action when required.

Safeguarding public resources

Control of capital assets

Health is responsible for health care in the province. It uses over $900 million of capital assets to deliver health care.

Health needs a capital asset plan to deliver essential health services. It should also improve its capital project agreements with RHAs and other health agencies to help Health meet its objectives for capital construction.

Control of capital assets

Capital assets include buildings and equipment. A capital asset plan would document decisions intended to ensure that Health has the capital assets required to deliver its services effectively, efficiently, and economically. A capital asset plan would help Health select the capital assets that have the best value and keep them in good working order.

Without a capital asset plan, Health cannot ensure that it has adequate capital assets to deliver essential health services.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.

In 2006, Health told us that it has prepared a draft capital asset plan for consultation with its stakeholders.

Accounting policies not consistent with GAAP

In March 2006, the Minister of Health signed capital project agreements for 2006-07 with RHAs for $26.8 million. Health does not pay for construction until the agencies have done the work.

The Financial Administration Act, 1993 (FAA) allows Health to record expenditures only when it has received goods or services or when the eligibility and performance requirements have been met. Nonetheless, Health recorded costs of $26.8 million for capital construction not done.

Health did not give the RHAs this money. Health recorded an equivalent amount as a grant payable. Health thinks its practices comply with the FAA and Canadian generally accepted accounting principles (GAAP). This is consistent with the direction provided to Health by the Provincial Comptroller.

We think the FAA and GAAP require public agencies to expense grants when the receiving organization has met the eligibility requirements (i.e., as construction is done). When public agencies approve grants for a future period, GAAP requires them to record the grant expense in the period in which the receiving agencies use the grant. Had Health followed our interpretation of the FAA and GAAP, Health expenditures would be reduced by $26.8 million and its grants payable would be decreased by an equivalent amount.

This difference of opinion also exists regarding the accounting for this construction revenue by the RHAs. Health determines the financial statement format for RHAs.

Most RHA appointed auditors think that eligibility requirements must be met before construction revenue can be recorded. One appointed auditor thinks that the commitment for future grants is sufficient to record the construction revenue. As a result, at the direction of the Provincial Comptroller, Health accepts either interpretation depending on the opinion of the appointed auditor.

We think that only one interpretation is correct. We agree with those appointed auditors who think that eligibility requirements must be met before construction revenue can be recorded.

We reported this matter in a previous report. In June 2004, PAC considered this matter and disagreed with our recommendation.

The Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments (grants) to clarify principles for recording grants because current standards do not provide sufficient guidance. The CICA project is not finished. We are awaiting further clarification from the CICA.

Verification of doctor services needs strengthening

Health pays $363 million a year to physicians, chiropractors, optometrists, and dentists (doctors) for medical services on a 'fee-for-service' basis. Departments of Health across Canada routinely verify that residents received the services that doctors claim they provided. Verification processes help:

- deter doctors from billing Health inappropriately
- identify doctors who are inappropriately billing Health
- identify, for recovery purposes, inappropriate billings

Health's processes include sending out questionnaires to residents of the province asking them to confirm that they received certain services from their doctors. Health also statistically examines doctors' billings for unusual billing patterns. When it identifies that a doctor may be billing inappropriately, it requests that the provincial Joint Medical Professional Review Committee[1] conduct an examination of the doctor's billing practices.

Departments of Health in all other provinces in Canada conduct these types of verifications. However, all other provinces also conduct on-site audits at doctors' clinics to examine billing practices and the doctors' systems to ensure their billings are accurate.

Health has not formally assessed whether on-site audits of doctors' clinics would be valuable in helping it verify it is not paying for inappropriate claims.

1. **We recommend that the Department of Health assess the cost/benefit of on-site audits of doctors' clinics to verify that it pays appropriate amounts for medical services provided by doctors.**

Verification of pharmacist services not performed

Health pays $184 million a year to pharmacists to subsidize residents with low incomes, high drug costs, or with special needs for prescription drugs. Health does not have a process to verify that residents received the prescriptions that pharmacists claim they provided. Health needs processes to:

- deter pharmacists from billing Health inappropriately
- identify pharmacists who are inappropriately billing Health
- identify, for recovery purposes, inappropriate billings

Without a process to verify that prescriptions were provided, Health may be paying for inappropriate claims.

---

[1] As set out by law, these separate Joint Professional Review Committees exist for medical, chiropractor, and optometry practitioners. Each committee has a majority of members from their respective professional associations and a minority appointed by Health.

2. **We recommend that the Department of Health implement a process to verify that residents received the prescription drugs the pharmacists claimed for payment.**

Internal audit needs strengthening

Health needs to ensure that its internal auditor can provide information on the effectiveness of Health's processes to safeguard public resources and ensure that its revenues and expenses comply with the law.

Health needs to focus the work of the internal auditor on activities where Health is at greatest risk of loss of public money or spending money for unintended purposes. A risk-based audit plan would help Health assess if its processes are adequate. Health has not yet prepared a risk-based audit plan.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Health focus the work of its internal auditor on the activities where it is at greatest risk of loss of public money or spending money for unintended purposes.

Controls over lab revenue needed

Health does not have adequate processes to track and collect fees for work done by the Provincial Laboratory (Lab). The Lab is a branch of Health. In 2005-06, it collected about $1.5 million in revenue.

Part of the Lab's services is water quality tests. The revenue earned from this work goes to the General Revenue Fund. A properly functioning revenue invoicing and collection system is necessary to accurately track the tests performed, record the services invoiced and the receipts collected, and provide periodic monitoring reports.

We found that Health does not have adequate controls over the revenue invoicing and collection system. The system does not have adequate segregation of duties and access to the system is not adequately restricted to only authorized users. These weaknesses allow records to be altered or deleted without detection increasing the risk of loss of public money due to error or fraud. We are unable to determine how much, if any, revenue was earned but not collected because we do not know if any records have been altered or deleted.

3. **We recommend that the Department of Health establish adequate processes to collect and pay all revenue earned by the Provincial Laboratory into the General Revenue Fund.**

Salary overpayments made

In 1999, Health, the RHAs, and the three unions representing support healthcare workers agreed to undertake a job evaluation plan to address equal pay for work of equal value and pay equity. In 2004, all evaluations had been completed and the process of reconsiderations was begun. Reconsideration is the process where either the employee or the employer could appeal to a committee to have a job evaluation reconsidered. Reconsiderations resulted in some jobs being re-evaluated to higher or lower rates of pay. On average, reconsiderations to date have had a downward salary impact on 8% of initial job classifications.

In May 2004, Health directed the RHAs to pay out all employees where additional wages were owed based on the initial evaluations even if the final wage rates were not set due to the reconsideration process. Employees affected by the reconsideration process were told that they could take the additional wages but would be expected to pay them back if their positions were settled at a lower wage rate. The unions agreed to this condition. Not all employees chose to take the additional money prior to the final settlement.

At March 31, 2006, the RHAs had overpaid as much as $4 million for wages due to job evaluations because of the average downward impact of the reconsideration process. Health did not consider its legal ability to collect back overpaid wages when it made the decision to pay employees before the appeal process was finished. Health and the RHAs may not be able to recover the overpayments. This may result in a loss of about $4 million of public money.

4. **We recommend that the Department of Health and Regional Health Authorities recover the overpayments resulting from the reconsideration of joint job evaluations.**

Business continuity plan required

Health needs a written, tested, and approved business continuity plan (BCP)[2] to help ensure that it can continue to provide critical services in the event of a disaster.

We reported this matter in greater detail in a previous report. In March 2006, PAC agreed with our recommendation.

During the year, Health has made progress developing its BCP. Health has approved a Business Continuity Planning policy. Health has begun to assess and prioritize its critical business functions. It has also set up a process to ensure that the BCP covers all the key components including emergency procedures, coordination with other agencies, communication, training, and testing.

However, it has not yet developed or documented all of the key components of a business continuity plan.

We continue to recommend that the Department of Health prepare a complete business continuity plan.

Human resource plan needs to improve

Health needs to improve its human resource plan. Effective human resource planning helps Health to have the right people, in the right jobs, at the right time.

Health has a human resource plan for its employees for 2005-2008. We assessed this plan against the key elements of a good human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

---

[2] **Business Continuity Plan** (BCP)—Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Health's human resource plan sets priorities and identifies key human resource risks. It explains the current human resources it has but does not quantify what it needs. Therefore, the plan only provides a broad description of the gap that exists between required and actual human resources. The plan implicitly states that there will be no changes in the way business is carried out and therefore replacement of current staff as they leave the Department is all that is required. The plan sets out strategies and broad action plans but does not give deadline dates. Half of the strategies have measurable indicators and targets. The source of indicator data for the measures was not listed.

5. **We recommend that the Department of Health revise its human resource plan to:**

   - **quantify its human resources needs**
   - **provide details on the human resource gap between actual and required resources**
   - **provide details on the action plans to implement the major strategies**
   - **provide measurable indicators and targets for all strategies**

Saskatchewan Cancer Foundation

The Saskatchewan Cancer Foundation (Foundation) conducts research, education, prevention, early detection, treatment, and supportive care programs for the control of cancer in Saskatchewan. The Foundation had revenues of $71 million in 2006 and held assets of $48 million at March 31, 2006.

Setting direction and monitoring performance

Board needs to complete the setting of performance targets

The Board has made progress in setting the direction and monitoring the performance of the Foundation. The Board has developed a strategic plan to direct management in conducting research, education, prevention, early detection, treatment, and supportive care programs for cancer control in the province. The plan outlines the expected results (objectives). The Board has determined performance indicators useful in monitoring progress. The Board has set long-term targets for some objectives.

Management has translated the strategic plan into an operational plan, with specific activities, measures, and some short-term activity-based targets to measure success.

Performance targets help define successful achievement of an objective, help measure progress towards achieving the objective, and can aid in prioritizing objectives when an entity has limited resources and capacity.

The Board has developed some indicators that measure progress towards the Board's objectives. For example, patient satisfaction and referral times for psychosocial services measure the Foundation's progress in providing supportive care. Performance targets for these indicators have not yet been set.

For other indicators, the Board has set performance targets. For example, participation rates in clinical trials measure the Foundation's progress in advancing the clinical knowledge and application of new cancer treatment options. The Board has set a target of 10% for participation of patients in clinical trials.

Without Board set targets for each key indicator, management may not know if it is focusing the Foundation's scarce resources correctly and effectively to meet the Board's strategic objectives and priorities. Also, without reporting actual performance against key targets, the Board may not know if its objectives are being achieved according to its plan.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Board of the Saskatchewan Cancer Foundation complete the setting of the performance targets needed to monitor progress in achieving objectives.

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate rules and procedures to safeguard public resources. We note the following instances where the Foundation's rules and procedures were not adequate to safeguard public resources.

Information technology processes need to be strengthened

The Foundation needs to strengthen the preparation, approval, and implementation of information technology (IT) processes to ensure the confidentiality, integrity, and availability of information systems and data.

IT processes help ensure vital information is protected, accurate, complete, authorized, and available. IT processes should be based on a formal threat and risk analysis. A threat and risk analysis would allow management to identify the processes it needs to protect systems and data.

The Foundation has implemented some IT processes based on strong industry practices. For example, the Foundation has defined how it grants or removes access to its systems. Also, the Foundation has processes for making changes to the systems. During the year, the Foundation made progress developing its threat and risk assessment. The Foundation still needs to complete a detailed threat and risk assessment to help identify all processes needed to protect its systems and data.

Without adequate IT processes, the Foundation risks the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Saskatchewan Cancer Foundation strengthen the preparation, approval, and implementation of information technology processes for its information systems that are based on a formal threat and risk analysis.

Business continuity plans needed

The Foundation needs a written, tested, and approved business continuity plan (BCP) to help ensure that it can continue to provide critical services in the event of a disaster.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Saskatchewan Cancer Foundation prepare, approve, and implement a business continuity plan that is based on a risk analysis.

The Foundation told us it has developed a *High-Level Business Continuity Plan* in March 2006. This plan does not meet all the requirements of a BCP, but contains guidance for the creation of a BCP. Management told us it plans to develop a BCP in the future.

Service agreement with SAHO needed

The Foundation needs a written agreement with Saskatchewan Association of Health Organizations (SAHO) for the services SAHO provides to the Foundation.

The Foundation uses SAHO's payroll and benefit plan administration services. The Foundation does not have a service agreement with SAHO governing each party's role. However, the Foundation is working with SAHO and the Health Regions to develop a comprehensive service agreement. Currently, the Foundation has a Memorandum of Understanding with SAHO as an interim service agreement. The Memorandum, which expires on December 31, 2006 requires SAHO to provide services in compliance with reasonable industry standards and identifies high-level roles and responsibilities of all parties in providing services. However, it does not meet all of the requirements of an adequate service agreement. For example, it does not set out service objectives for the services provided nor does it require SAHO to periodically report on its assessment of the control it has established to meet the Foundation's objectives.

The service agreement with SAHO should:

- Describe the authority and responsibility of SAHO and the Foundation.
- Describe the services SAHO would provide and the Foundation's service-level objectives.
- Describe the Foundation's privacy and security objectives.
- Describe the basis for paying for those services.
- Require SAHO to periodically report its assessments of the control it has established to achieve the Foundation's objectives. These reports should be audited by SAHO's auditor.

6. **We recommend that the Saskatchewan Cancer Foundation make a service agreement with the Saskatchewan Association of Health Organizations covering all services provided.**

Follow-up of recommendations

This section describes the actions taken by Health and related health agencies on recommendations made in four previous audits. The audits were:

1. Health resource allocation processes
2. Reducing injuries to care staff
3. Métis Addictions Council of Saskatchewan Inc.
4. Saskatchewan Prescription Drug Plan

Health resource allocation processes follow-up

During 1997-98, we audited Health's processes to allocate resources among regional health authorities (RHAs) based on health needs. We limited the audit to the needs-based aspects of Health's processes to allocate resources among RHAs. We did not audit the influence of concerned citizens or cost-drivers like inflation on Health's resource allocation processes. We reported our findings and recommendations in our 1999 Fall Report – Volume 2, Chapter 1E.

Chapter 6E of our 2001 Fall Report – Volume 2 describes the results of our first follow-up of actions Health took to address our audit recommendations. We reported that Health needed to do more to identify long-term priority health needs, set specific objectives to address the needs, and monitor progress.

This report describes our second follow-up of actions taken by Health on our recommendations up to July 2006.

Priorities and objectives for health

In 1999, we recommended that Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long-term (e.g., 10 years or more) for the highest priority provincial health needs. PAC agreed with our recommendation in June 2001.

In December 2001, Health published the *Action Plan for Saskatchewan Health Care* to serve as the strategic direction for health services in the province. Health told us that the development of *The Action Plan* involved major consultation with stakeholders and experts to determine the highest priority provincial health needs for the future.

Since 2001, Health has prepared several other action plans and strategies that describe its priority health needs in more detail and planned actions to address the priorities. For example, *A Population Health Promotion Strategy for Saskatchewan* (April 2004) describes four priorities, namely: mental well-being, decreased substance abuse, accessible nutritious food, and active communities.

In recent years, Health's public performance plans and annual reports consistently set out four goals, 12 objectives, and two or more performance measures for each objective. The objectives and performance measures reflect the priority health needs that Health has established. The objectives are general. More specific health status objectives would provide better direction to managers and service providers.

Monitor and report achievement of objectives

In 1999, we recommended that Health monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status. PAC agreed with our recommendation in June 2001.

Health has worked with RHAs to develop performance measures to help assess progress in achieving Health's goals and objectives. Health prepares a quarterly *Performance Management Dashboard* report for senior management that compares the performance of all RHAs, using several financial and operational measures. Health also receives annual reports from RHAs that show the RHAs' progress in achieving Health's objectives.

Summary

Health has identified its priority health needs, is making progress in setting objectives and monitoring its progress, and needs to set specific health status objectives.

Reducing injuries to care staff follow-up

Employers and individual managers are legally responsible for workplace safety. Individual workers also must do their part to keep themselves, their co-workers, and their patients safe.

Methods to reduce injuries are well researched and documented but injuries remain common in health sector workplaces. In 2005-06, the health sector had 8.07 injuries per 100 full-time workers.[3] These injuries resulted in time away from work and claims to the Worker's Compensation Board. In 2006, injury rates in the health sector are not yet moving downward consistently.

In 2002, we assessed whether the two largest regional health authorities (RHAs) adequately used best practices to reduce work-related back and shoulder injuries to care staff. We reported our findings and recommendations in our 2003 Report – Volume 1 (pp. 29-48). PAC agreed with our recommendations in June 2004.

---

[3] Department of Health dashboard report to regional health authorities: Lost-time WCB claims 2005-06.

In this report, we describe our 2002 recommendation in italics and set out management actions on that recommendation up to July 2006. We include key actions taken by the Health, the Department of Labour (Labour), the Regina Qu'Appelle RHA, and the Saskatoon RHA.

Board commitment to reduce injuries

We recommend that boards commit to workplace safety as a priority. Specifically, we recommend that the boards set specific, short-term targets, allocate resources to achieve the targets, receive regular reports, and hold senior managers accountable to reduce injuries. Short-term targets should be achievable in three years. We expected targets for the RHA and for work units with high injury rates.

In 2004, Labour and the Workers' Compensation Board (WCB) targeted a 20% reduction in lost-time injuries by 2008 in health and by 2007 in other sectors. The Saskatoon RHA set targets to reduce workplace injuries by 20% between 2004 and 2006 and by 10% annually during 2007-09. The Regina Qu'Appelle RHA set a target to reduce workplace injuries by 5% below the injury rate in the prior fiscal year by March 2006 and 2007. It has not set targets for improvement further into the future. Board leadership and commitment is an important motivator for action.

In 2004-05 and 2005-06, the boards of both Saskatoon and Regina Qu'Appelle purchased equipment to help reduce injuries. They also allocated resources to educate staff about safety in the workplace. We did not audit whether the RHAs adequately focused these resources.

To facilitate regular reporting, Health established two performance measures to monitor workplace injuries. It defined the performance measures to enable comparisons between similar agencies.

All RHAs now report their injury rate quarterly in the same way, showing the frequency and severity of injuries:

- "the number of lost-time claims per 100 full-time equivalent workers"

- "the number of lost-time days per 100 full-time equivalent workers"

Saskatoon gives excellent quarterly reports to the board showing progress on injury rates compared to the target and the provincial rate. The reports explain how the RHA measures the injury rate. Regular safety discussions by the senior leadership group focus on reports of progress over five quarters for each manager's service area. Regina Qu'Appelle gives quarterly reports to a board committee and to the senior management team comparing injury rates with the same quarter in the prior year.

Both RHAs have systems to hold managers accountable, but there are significant differences. Saskatoon monitors progress on the manager's "action plan for improving safety and reducing injuries" as part of out-of-scope performance reviews. Regina Qu'Appelle has one item, "safety measures," in the checklist it uses to review the performance of out-of-scope managers and plans to revise its performance review system.

Staffing to reduce injuries

We recommend that regional health authorities analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.

Both RHAs have taken steps to help them assess the impact of staffing patterns on injuries. Both RHAs use incident report forms to help identify whether injuries relate to staffing shortages, staff mix, etc. Saskatoon also uses a detailed *Job Safety Analysis* in its most hazardous work areas to analyze causes of injuries and consider if staffing patterns are a factor.

During 2004-2006, a large national research project examined staffing and its impact on various factors including injury rates; Saskatoon RHA participated in that project. It is not yet clear whether the final report will help explain how staffing patterns influence the rate of injuries in the health sector.

Health coordinated the work of several agencies to develop a framework for Quality Workplace and Occupational Health and Safety Initiatives. Health, Labour, RHAs, SAHO, and WCB worked together to identify safety goals and objectives. The group highlighted the importance of human resource management and the use of safety champions to improve workplace safety.

In 2006, Saskatoon employs five permanent full-time safety facilitators to help managers to make work practices safer. Regina Qu'Appelle employs four permanent full-time safety consultants and a temporary muscular-strain injury coordinator to promote safety. It also asked managers to volunteer as safety champions and meet quarterly to discuss safety practices. Regina Qu'Appelle uses any savings from reduced WCB premiums and surcharges to support staff-initiated safety projects.

Active occupational health committees

We recommend that the occupational health committees of regional health authorities monitor injury trends quarterly, analyze causes, and make written recommendations to senior managers and their board to fix unresolved causes of injuries.

Labour assists occupational health committees in their work. Labour told us it increased inspections in the health sector focusing on work units with the most injuries. Both RHAs have regional coordinating committees for occupational health and safety in addition to occupational health committees in each agency (site committees).

Both RHAs now encourage large work units to use occupational health committees to help reduce injuries. Regina Qu'Appelle said some of its committees had difficulty getting sufficient attendance for regular meetings. Saskatoon recommends departments with a high injury rate have a special safety committee that meets for an hour each month in addition to quarterly meetings of its site occupational health committees.

In both RHAs, during 2006, occupational health committees received a summary analysis of injuries every three months to help monitor trends. The reports show the number and type of injuries, their causes, and actions taken. In addition, these committees receive inspection reports highlighting common causes of injuries. Occupational health committee members help managers resolve concerns.

Saskatoon occupational health committees have a system to track recommendations and ensure managers take action. If managers do not act to prevent injuries, the committee writes to the vice-president (site leader) to request action on the occupational safety risk. Regina Qu'Appelle occupational health committees do not routinely report to senior managers on unresolved safety concerns.

Reports now alert managers and the board if the injury rate rises. Managers receive summary reports of the common causes of injuries to help them focus on injury prevention. Neither the Saskatoon nor the Regina Qu'Appelle monitor five-year trends for work units with high injury rates. The RHA's boards do not yet receive reports highlighting unresolved causes of frequent or serious injuries. Such reports would help the boards allocate resources to prevent injuries.

Summary

Exhibit 1 summarizes the significant efforts of these two large RHAs with respect to our 2003 recommendations.

Exhibit 1—Status of recommendations up to June 30, 2006

Recommendations (March 2003)	Saskatoon	Regina Qu'Appelle
1. **Boards commit to workplace safety as a priority**		
♦ set specific targets to reduce injuries in the short-term (for RHAs and high risk areas)	Yes	Partial – targets for 2007-10 & high-risk areas
♦ allocate resources to achieve targets	Yes	Yes
♦ receive frequent reports about injury rates and action to reduce injuries	Yes	Partial – improve analysis
♦ hold senior managers accountable	Yes	Partial
2. **RHAs analyze staffing patterns** associated with high and low injury rates and implement lessons learned	Partial – identify key factors	Partial– identify key factors
3. **Occupational Health Committees**		
♦ monitor trends quarterly	Yes	Yes
♦ analyze causes of injuries in areas with high injury rates	Yes	Yes
♦ make written recommendations to senior management and the board to fix unresolved causes of injury	Yes	Partial

Exhibit 2 shows that in the two largest RHAs, there is still work to do to reduce injuries.

Exhibit 2—Rates/100 FTE* lost-time injury claims and days off work

	2004-05	2005-06
Saskatoon RHA		
♦ lost-time WCB injury claims/100 FTE	9.88	8.61
♦ lost-time WCB injury days/100 FTE	381.89	361.07
Regina Qu'Appelle RHA		
♦ lost time WCB injury claims/100 FTE	9.75	9.10
♦ lost-time WCB injury days/100 FTE	518.71	618.66
Saskatchewan health sector		
♦ lost time WCB injury claims/100 FTE	8.94	8.07
♦ lost-time WCB injury days/100 FTE	419.10	447.1

Source: Department of Health quarterly reports of lost-time injury rates and the Department of Health 2005-06 Annual Report (p.41).

* FTE – full time equivalent employee position

A large number of serious workplace injuries continue to impact health care workers in Saskatchewan. We will continue to follow up our 2003 recommendations to monitor progress toward the culture of safety that the health sector seeks.

Métis Addictions Council of Saskatchewan Inc. follow-up

The Métis Addictions Council of Saskatchewan Inc. (MACSI) provides addictions services on behalf of Health.

MACSI is incorporated under *The Non-profit Corporations Act, 1995*. MACSI is not a Crown agency as defined in *The Provincial Auditor Act* and is not subject to an audit by our Office. In 2004, we accepted a special assignment to audit MACSI as requested by Order in Council 111/2004.

We reported the results of our audit in a previous report. We found that:

- money paid to MACSI by Health during the period June 2001 to February 18, 2004 was not used appropriately, was not fully accounted for, and was not properly disposed of in accordance with the terms and conditions of the funding agreements

- MACSI did not maintain essential records, and rules and procedures to appropriately safeguard and control the money it received from Health during the period April 1, 1998 to February 18, 2004
- Health's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes
- Health did not always take prompt and appropriate action to remedy all significant problems it knew, or should have known, about MACSI's operations during the period April 1, 1998 to March 31, 2003

We made nine recommendations for MACSI and four recommendations for Health. In October 2005, PAC agreed with our recommendations.

We enquired, through Health, if Health and MACSI had implemented our recommendations. We examined written policies and procedures that Health and MACSI have established to address our recommendations. We also examined Health's practices.

MACSI Board

The interim Board of MACSI has adequately addressed our nine recommendations except as follows.

Recommendation 3. We recommend that the Board establish a long-term strategic plan for the Métis Addictions Council of Saskatchewan Inc.

The interim Board decided to defer establishing a long-term strategic plan for the agency until a new permanent Board is established.

Recommendation 5. We recommend that the Board provide governance training for its members.

Health told us that members of the Board will receive governance training when a new permanent Board is established. A comprehensive training manual is being developed which will fully inform new Board members of their responsibilities and the expectations of their role.

Recommendation 6. We recommend that the Board periodically assess its own performance.

Health told us that the interim Board is exploring assessment tools for regular review of Board performance. This tool will be available when a new permanent Board is established.

Recommendation 9. We recommend that the Department of Health work with MACSI to determine the amount that the former executive committee members of the board of directors owe MACSI and try to recover the money.

Health has determined the amount of money that was misappropriated or not spent for the purposes intended. Health told us it is considering recovering the money in two ways: 1) by restitution order, if a court determines that money was taken through criminal wrongdoing, or 2) by civil action, if money was spent improperly but not illegally.

Health will seek legal advice on the likelihood of recovering any funds once the outcome of the RCMP investigation is known. The RCMP has not yet laid charges in connection with this matter.

Health

Health has adequately addressed our four recommendations except as follows.

Recommendation 10. We recommend that the Department of Health strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:

- doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance
- identifying objectives and performance measures for each CBO
- reviewing each CBO's performance reports routinely
- carrying out regular on-site assessments of high risk CBOs
- attending board of director's meetings of high risk CBOs

Health has met this recommendation except it has not yet completed risk assessments on its CBOs. Health has developed a draft risk assessment tool. The tool will help Health to determine the nature and extent of monitoring required for each CBO. Health expects the risk assessment tool will receive senior management approval this year, and risk assessments will be completed on all CBOs in the next two years.

Recommendation 10. We recommend that the Department of Health ensure MACSI implements recommendations 1 – 8 of this report.

Health is working with the MACSI interim Board to ensure MACSI's four outstanding recommendations previously described are met.

Saskatchewan Prescription Drug Plan follow-up

The Saskatchewan Prescription Drug Plan (Drug Plan) provides financial aid to Saskatchewan residents for formulary prescription drugs used outside hospitals.

In 2003, our office and legislative auditors across Canada agreed to audit the drug program in their respective jurisdictions. The objectives of the audit were to assess whether, as at January 31, 2005, Health had adequate procedures to monitor the quantity and relevance of drug use and encourage appropriate and economical practices, and to make timely, adequate public reports on the Drug Plan's performance.

We reported the results of our audit in a previous report. We found that Health had adequate processes to monitor drug practices and make timely reports of the Drug Plan's performance except:

- it should develop a plan to monitor and evaluate drug use in the population
- it should set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan

In October 2005, PAC agreed with our recommendations.

Our follow-up

We enquired if Health had implemented our recommendations.

Health told us it is 'actively involved with a number of provincial and national initiatives to monitor and evaluate drug use' including:

- Health's prescription review program to monitor select drugs
- Saskatoon Regional Health Authority's academic detailing program[4] to improve efficacy, safety, and economy of drug therapy
- Saskatchewan Health Quality Council's projects that examine drug use post heart attack and drug use in chronic conditions such as asthma and diabetes
- the National Prescription Drug Utilization Information System[5] database to increase understanding of drug use and factors that drive drug costs
- the Canadian Optimal Medication Prescribing and Utilization Service[6] to identify and promote evidence-based best practices in drug prescribing and use

We continue to recommend that the Department of Health develop a plan to monitor and evaluate drug use in the population.

Health also told us that:

> the Drug Plan has begun to collect information from other drug programs [across Canada] as to what performance measures they have been able to implement. This information will be helpful in determining what might be the best performance indicators for our program.

---

[4] Saskatoon Regional Health Authority's academic detailing program provides summarized information to doctors on specific drug therapies.

[5] Federal/Provincial/Territorial Ministers of Health established the National Prescription Drug Utilization Information System in 2001 to provide analyses of price, use and cost trends of pharmaceuticals in Canada.

[6] Health Canada established the Canadian Optimal Medication Prescribing and Utilization Service in 2004 to promote and facilitate best practices in drug prescribing and use among healthcare providers and patients.

We continue to recommend that the Department of Health set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.

Health's new computer system implemented last year allows it to collect more statistical information on drug usage in the province. Once sufficient data has been collected, Health will have better capacity to monitor and evaluate drug use.

Financial performance of the health system

2B

Introduction 65

Performance measures 65

- Total health spending as a percentage of the Province's Gross Domestic Product 66
- Total health spending as a percentage of the Government's total spending 68
- Change in health spending compared to change in the CPI and the Province's GDP 69
- RHAs' annual operating surpluses and deficits as a percentage of total RHA spending 70
- RHAs' working capital ratio 71
- Change in the RHAs' capital assets 72

Summary 73

This page left blank intentionally.

Introduction

The Legislative Assembly and the public often ask about the state of the health system's finances. They want to know whether the health system's financial condition is growing stronger or weaker, and why. Also, many want to know where they can obtain the information required to help them make their own assessments.

A sound understanding of the health system's finances[1] is important to an informed debate about the issues facing the health system. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

We report on six financial and economic measures. We modelled the measures after the research report, *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants.

Readers should be aware that the measures set out in this chapter will not provide them with information on trends in the health status of the province's residents or in the effectiveness of health services. The measures pertain only to the financial sustainability of the health system. Each measure can and should be analyzed in detail, combined with other information, and monitored over time. Three of the measures relate to the regional health authorities (RHAs) because they incur most of the health costs.

Performance measures

The measures we report on include:

- total health spending as a percentage of the Province's GDP
- total health spending as a percentage of the Government's total spending

---

[1] We derived information on measures for the health system from the Government's statistical reports, the *Public Accounts 2005-2006: Volume 2: Details of Revenue and Expenditure,* and the annual financial statements of regional health authorities and other health agencies. The fiscal year-end for Health, the RHAs, and other health agencies is March 31. Because the Gross Domestic Product (GDP) and the Consumer Price Index (CPI) are not available for a fiscal year, we use GDP and CPI statistics for a calendar year in our analysis. For example, the GDP statistic in the 2006 column is for the year ended December 31, 2005. We have not adjusted the information for inflation.

- change in health spending compared to change in the CPI and the Province's GDP
- RHAs' operating surplus or deficit as a percentage of total RHA spending
- RHAs' working capital ratio
- change in the RHAs' capital assets

The health costs we refer to do not include Federal Government spending for Indian and northern health services or the costs that individuals and private sector organizations pay directly for health services.

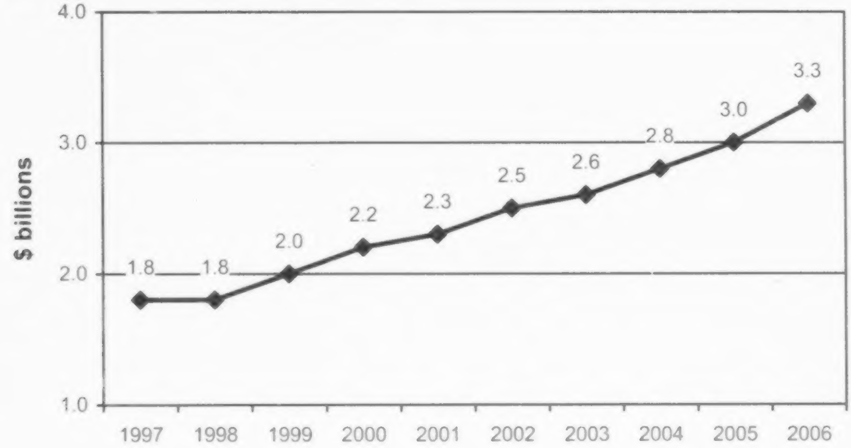
Total health spending as a percentage of the Province's Gross Domestic Product

The first performance measure of sustainability is the total health spending as a percentage of the Province's GDP.

The Province's GDP is a measure of the value of goods and services produced in Saskatchewan in one year. The GDP reflects the size of the provincial economy. If health spending grows faster than the GDP, it indicates that the public is using more health care, and the Government is spending more to provide these services, relative to other goods and services in the province.

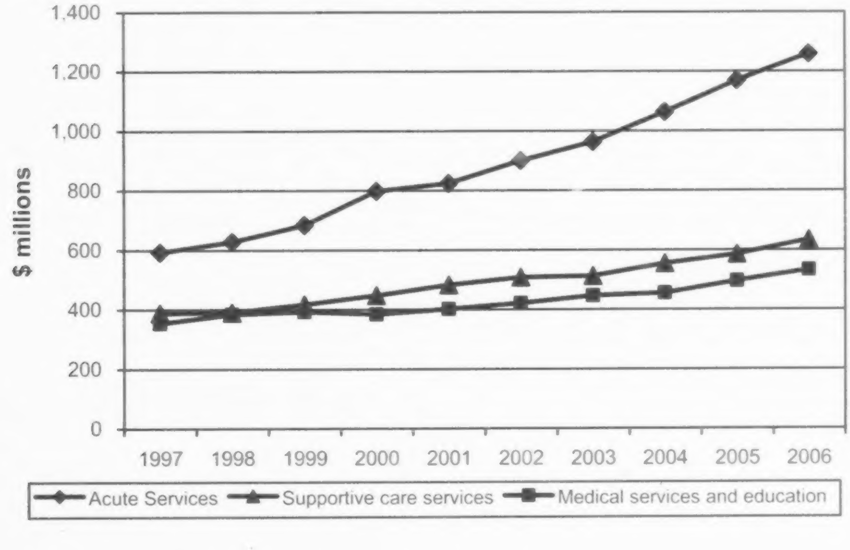
During the past ten years, the Government has increased health spending by 85% from $1.77 billion in 1997 to $3.28 billion in 2006 (see graph below). Over the same period, the Province's GDP increased by 46% from $29.2 billion in 1997 to $42.6 billion in 2006.

Graph 1 The Government's Total Health Spending



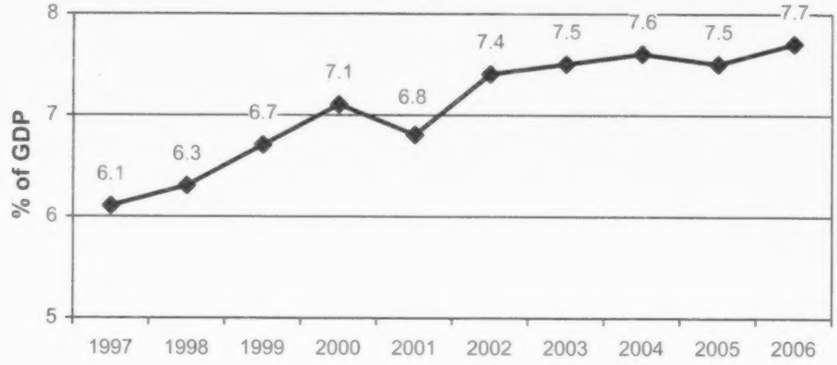
The following graph shows the three highest cost health programs. These programs are acute services (i.e., hospitals), supportive care services (i.e., nursing homes), and medical services (i.e., payments to doctors). Acute services costs have increased by over 113% from 1997 to 2006. The cost of the other two programs increased by more than 50% over the same period.

Graph 2 Highest Cost Health Program Spending



The following graph shows the trend in the total health spending as a percentage of the provincial GDP from 1997 to 2006. By comparing the total health spending to the Province's GDP, the reader can assess the financial demands placed on the economy by health spending.

Graph 3 **Total Health Spending as a Percentage of GDP**



This comparison shows that since 1997 health spending increased from 6.1% of GDP to 7.7% of GDP in 2006. If this trend continues, the economy may not be able to support the increasing levels of health care spending, unless the Government reduces spending on other programs or increases taxes.

Saskatchewan is not unique. Health care spending as a percentage of GDP is growing in most other provinces[2] and many other countries[3]. As well, while the Saskatchewan Government has significantly increased health spending since 1997, it has also improved its overall fiscal position[4] and has increased spending on other government programs.

Total health spending as a percentage of the Government's total spending

The second performance measure of sustainability is the total health spending as a percentage of the Government's total spending.

This measure shows the impact that health spending has on spending required to deliver other government programs. The ability to spend a greater percentage on health each year may not be sustainable because of the need to provide other necessary government services.

---

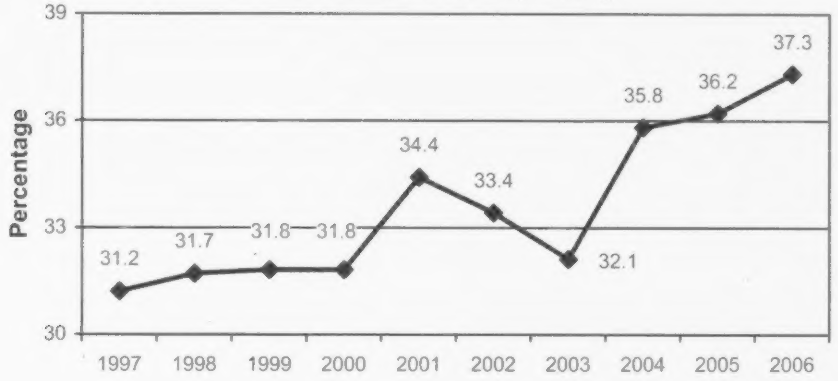
[2] The Canadian Institute for Health Information; *Health Indicators, 2006*, June, 2006, and *Health Indicators, 2002*, May, 2002.

[3] Organization for Economic Co-operation and Development; *Health Data 2005*, October 2005.

[4] Provincial Auditor of Saskatchewan; 2006 Report – Volume 2, page 3, August 2006.

The following graph shows the trend in health spending as a percentage of the Government's total spending from 1997 to 2006. By comparing health spending to the Government's total spending, we can assess the financial demands health spending places on the Government's total spending.

Graph 4 **Total Health Spending as a Percentage of the Government's Total Spending**



This comparison shows that from 1997 to 2006, health spending has increased from 31.2% to 37.3% of the Government's total spending. The upward trend in this graph suggests a decrease in sustainability because increasing demands for health care spending could reduce the Government's ability to maintain required spending on other vital programs.

Change in health spending compared to change in the CPI and the Province's GDP

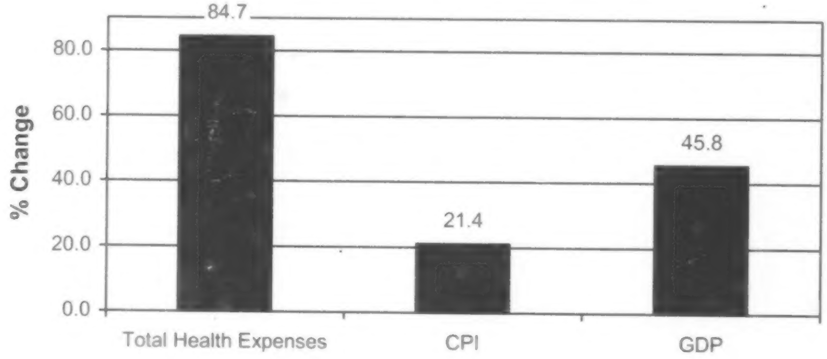
A third performance measure of sustainability is the change in health spending compared to the change in the Consumer Price Index (CPI) and the GDP.

Comparing the change in health spending to the change in the CPI indicates whether health spending has kept pace with inflation. If health spending increases are higher than the CPI, this could indicate an unsustainable trend because health spending is exceeding inflation.

Comparing the change in health spending to the change in GDP shows the rate that health spending changed to the rate that the provincial economy changed. If health spending increases are higher than the growth of the provincial economy, this could indicate an unsustainable trend.

The following graph shows health spending is growing faster than the provincial economy and faster than inflation. Because Saskatchewan's economy is vulnerable to changes in commodity prices, interest rates, and the weather, the increases in health spending in recent years may be unsustainable in the long term. A downturn in Saskatchewan's economy could require the Government to make difficult decisions on health spending.

Graph 5 Change in Health Spending Compared to CPI and GDP - Percentage Increase from 1997 to 2006



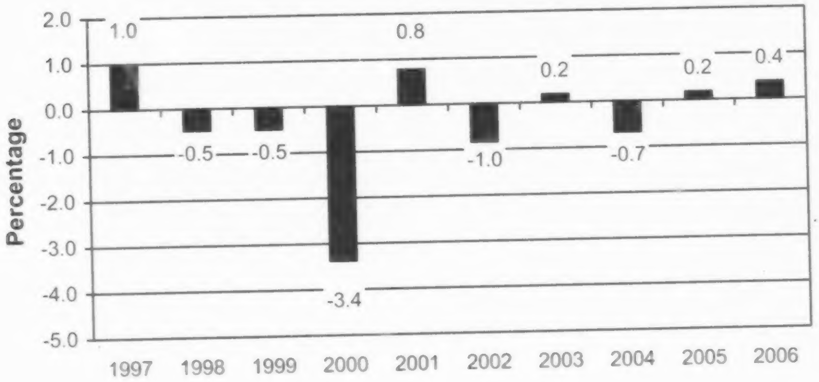
RHAs' annual operating surpluses and deficits as a percentage of total RHA spending

A fourth performance measure of sustainability is the RHAs' annual operating surplus or deficit as a percentage of total RHA spending.

The annual operating surplus (or deficit) shows the extent to which the RHAs have more (or less) operating revenue than operating expenses in a fiscal year. RHAs that are able to run an operating surplus are better able to sustain their capacity to maintain their programs over the long term.

The following graph shows that since 1997, the RHAs fluctuated between having small annual surpluses and deficits with the exception of a relatively large deficit in 2000. If this trend continues, the RHAs should be able to sustain their capacity to maintain their programs over the long term.

Graph 6 **RHAs' Operating Surpluses and Deficits as a % of RHAs' Expenses**



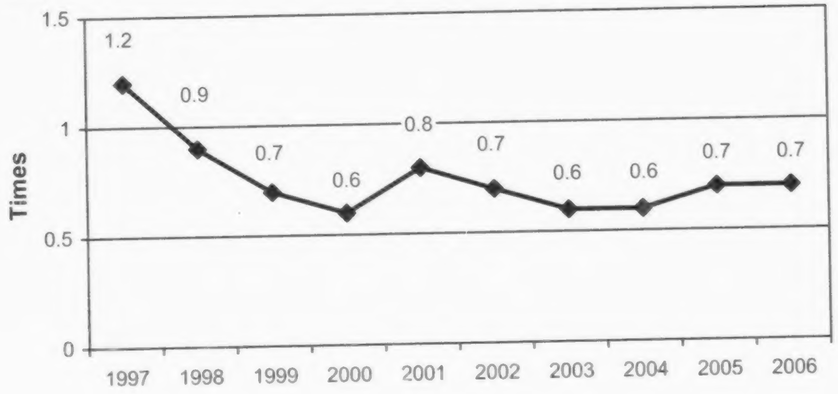
RHAs' working capital ratio

The fifth performance measure of sustainability is the RHAs' working capital ratio.

RHAs calculate the working capital ratio by dividing current assets by current liabilities. This ratio represents the RHAs' ability to pay employees and suppliers on time. Declines in current assets compared to current liabilities may impair an RHA's ability to maintain programs and services.

The following graph shows a fairly stable trend in the RHAs' working capital ratio from 1997 to 2006. The ratio reflects the number of times that current assets exceed current liabilities. Since March 31, 1999, the RHAs average working capital ratio has been around 0.7. This means that current liabilities exceed current assets, which could impair the RHAs' ability to pay salaries and other costs on time.

Graph 7 RHAs' Working Capital Ratios



Change in the RHAs' capital assets

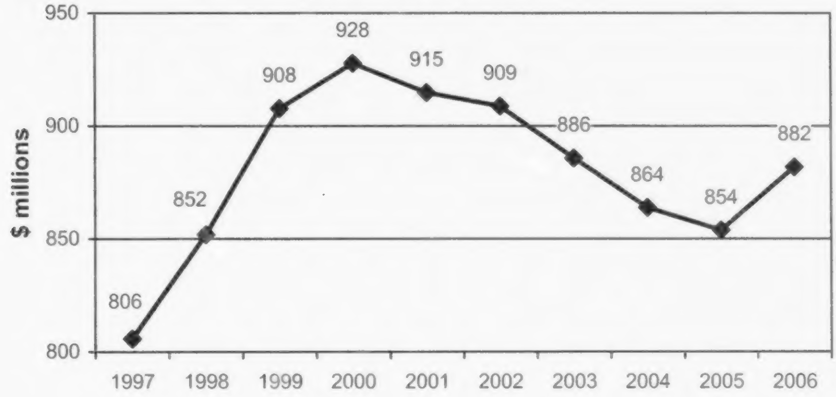
The final performance measure of sustainability is changes in capital assets owned by RHAs.

RHAs use $882 million of capital assets to deliver health services. Capital assets include property, buildings, and equipment. RHAs must properly maintain or replace their capital assets, or risk losing the assets' productive capacity. For example, if RHAs delay making necessary building renovations or replacements, the ultimate costs may be unsustainable. In addition, they face potential future costs to repair, renovate, or replace these assets. These costs may impair their ability to deliver needed services.

Governments and health experts encourage a shift of health services from institutions (e.g., hospitals, nursing homes) to services in the home and community. This shift is resulting in less need for new capital assets and to replace some existing assets.

The following graph shows a trend in total capital assets owned by RHAs. From 1997 to 2006, capital assets have remained fairly constant from $806 million to $882 million. This trend may indicate continued sustainability of the RHAs' services assuming they hold the right capital assets. As described in Part A of this chapter, Health does not have a capital asset plan to ensure that the RHAs have the right capital assets to deliver health services effectively.

Graph 8 RHAs' Capital Assets



Summary

We encourage legislators and the public to use the above analysis to promote discussion and debate on the state of our health system's finances. We encourage Health to publish similar information on the financial targets and measures it uses to assess its financial performance. Such reporting would provide useful information on Health's financial performance.

This page left blank intentionally.

Regional Health Authorities

2C

Introduction 77

Our audit conclusions and findings 77

- Setting direction and monitoring performance 79
  - Boards need to set performance targets 79
- Safeguarding public resources 80
  - Need for internal audit not assessed 80
  - Written policies and procedures required 81
  - Capital asset records needed 82
  - Service agreement needed 83
  - Affiliate reporting required 83
  - Disaster recovery plan needed 84
  - Information technology policies and procedures needed 85
- Ensuring adequate accountability to the Legislative Assembly and the public 86
  - Annual reports need improvement 86
  - Accounting policies not consistent with GAAP 87

This page left blank intentionally.

Introduction

The Regional Health Services Act (the Act) makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

In 2006, the RHAs had revenues totalling $2.2 billion ($2.0 billion from the Department of Health (Health)). They had a combined annual surplus of $10.3 million. At March 31, 2006, the RHAs held total assets of $1.2 billion. Each RHA's annual report contains its financial statements.

The RHAs and their appointed auditors are listed below. Our Office audits the Regina Qu'Appelle Regional Health Authority directly.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neumann & Neumann
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Deloitte & Touche LLP
Prince Albert Parkland	Meyers Norris Penny LLP
Saskatoon	KPMG LLP
Sun Country	Meyers Norris Penny LLP
Sunrise	Parker Quine LLP

Our audit conclusions and findings

We carried out our audit responsibilities for 11 of the RHAs by working with the auditors hired by the RHAs. When we work with other auditors, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see www.auditor.sk.ca).

In our opinion, for the year ended March 31, 2006:

- **the RHAs had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- **the RHAs' financial statements are reliable except for the matters reported in this chapter**

The RHAs' appointed auditors and our Office formed the opinions referred to above with the following exceptions.

- The report of the appointed auditor of the Sun Country RHA did not include the need to have an information technology (IT) disaster recovery plan. This is described later under *Information technology disaster recovery plan needed.* Also, the appointed auditor did not report the need for the RHA to have information technology policies and procedures based on a threat and risk assessment. This is described later under *Information technology policies and procedures needed.*
- The report of the appointed auditor of the Sun Country RHA did not include the improvements needed in the capital asset records. This is described later under *Capital asset records needed.*
- The reports of the appointed auditors of the Five Hills and Sun Country RHAs did not include the RHA's Board of Directors need to assess if they need an internal audit function. This is explained later under *Need for internal audit not assessed.*
- The reports of the appointed auditors of Five Hills, Kelsey Trail and Sun Country RHAs did not include the need for a service agreement with SAHO. This is explained later under *Service agreement needed.*

- The report of the appointed auditor of Keewatin Yatthé RHA did not include the overstatement of assets and revenues in the financial statements for this RHA. This is explained later under *Accounting principles not consistent with GAAP*.

When we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work. Our additional work consisted of determining the extent that the RHAs overstated their assets and revenues, reviewing the RHAs' accountability reports and IT documentation, and discussing areas of concern with management.

In this chapter, we organize our audit findings and recommendations into four groupings. These groupings reflect important responsibilities of the boards of directors (Boards) in their role of overseeing their RHAs' operations. These are:

- setting direction and monitoring performance
- safeguarding public resources
- complying with the law
- ensuring adequate accountability to the Legislative Assembly and the public

Setting direction and monitoring performance

Boards need to set performance targets

The RHAs have made progress in setting the direction and monitoring the performance of the regions. All have adapted the goals and objectives of Health into their strategic plans. The Boards use these plans to direct management in delivering health services in their region. The Boards have outlined the expected results (objectives).

The Boards have set performance indicators to monitor progress. However, they have not yet set performance targets for most of their indicators. Once the Boards have set targets, they will need to request regular reports from management on the RHAs' progress in achieving their objectives and targets. We note that the Prince Albert Parkland RHA and Regina Qu'Appelle RHA now receive regular operational reports that show the RHAs' progress in achieving their long-term goals and objectives. However, these reports include performance targets for only a few measures.

Performance targets help define successful achievement of an objective, help measure progress towards achieving the objective, and help prioritize objectives when an entity has limited resources and capacity.

Without Board set targets for each key indicator, management may not know if it is focusing the RHAs' scarce resources correctly and effectively to meet the Boards' strategic objectives and priorities. Also, without reporting actual performance against key targets, the Boards may not know if their objectives are being achieved according to their plans.

We reported this matter in previous reports. In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that:

- the Boards of Directors of all Regional Health Authorities set the performance targets to monitor progress in achieving their objectives
- the Cypress, Five Hills, Heartland, Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prairie North, Saskatoon, Sun Country and Sunrise Regional Health Authorities' internal reports to the boards of directors compare actual performance to planned performance

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate processes to safeguard public resources. We note the following instances where processes were not adequate to safeguard public resources.

Need for internal audit not assessed

Four RHAs have not assessed the need for an internal auditor.

Large, diverse agencies with complex management systems, such as the Prince Albert Parkland, Sunrise, Five Hills, and Sun Country RHAs, need to know if their systems are adequate to meet their objectives. An internal auditor can give this assurance to the RHAs' Boards and management.

An internal auditor can also provide assurance on the reliability of financial reports and the effectiveness of controls to safeguard public resources and ensure public money is used for intended purposes.

The scope and objectives of an internal auditor depend on the requirements of the RHAs' Boards and management. The four RHAs need to do a risk assessment of their activities to determine where they are at the greatest risk of loss of public money or spending money for unintended purposes. This risk assessment should help the RHAs to decide if they need an internal auditor.

1. **We recommend that the Boards of Directors of the Prince Albert Parkland, Sunrise, Five Hills, and Sun Country Regional Health Authorities assess whether they need an internal auditor.**

Written policies and procedures required

Regina Qu'Appelle RHA does not have adequate and documented policies and procedures to safeguard public resources.

Written policies and procedures provide for the orderly and efficient conduct of business. They also reinforce the Board's delegation of authority and the responsibilities of all staff. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

The RHA does not have adequate written financial management policies covering budgeting, monthly financial reporting, or year-end procedures. The RHA also lacks adequate documentation of its general accounting policies and procedures.

The RHA's Board needs to ensure that there are written policies and procedures for staff to follow to safeguard public resources and ensure timely and reliable interim and year-end financial reporting. It is important that these policies and procedures be readily available to all staff. A lack of written policies and procedures may create confusion regarding delegation especially when turnover occurs.

While some policies and procedures do exist, many of them are outdated. Regina Qu'Appelle RHA began the process of establishing and documenting Board policies in 2004. The RHA has also drafted a written policy documenting signing authority procedures already in use. The RHA needs to continue this process until all policies and procedures are documented.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle Regional Health Authority establish complete written financial management policies, such as budgeting, reporting, projections, revisions to plans, and general accounting procedures.

Capital asset records needed

Sun Country RHA needs better processes to safeguard its capital equipment.

The RHA uses various equipment to provide health services to its residents. To safeguard its equipment, the RHA should periodically count its equipment and agree the counts to the equipment accounting records. This would help to ensure the records are accurate and complete, and the equipment exists. Sun Country RHA did not count its equipment. As a result, the RHA does not know if all of its equipment exists and is properly safeguarded. This could also cause the RHA to make poor decisions for equipment purchases and disposals.

2. **We recommend that the Sun Country Regional Health Authority ensure its equipment is safeguarded.**

Service agreement needed

All RHAs need a written agreement with Saskatchewan Association of Health Organizations (SAHO) for the services provided by SAHO to the RHAs.

The RHAs use SAHO's payroll and benefit plan administration services. The RHAs do not have service agreements with SAHO setting out each party's role. However, the RHAs have Memorandums of Understanding with SAHO which expire on December 31, 2006. The memorandums do not meet all of the requirements of an adequate service agreement. For example, they do not set out service objectives for the services provided nor do they require SAHO to periodically report on its assessment of the control it has established to meet the RHAs' objectives.

The service agreements with SAHO should:

- Describe the authority and responsibility of SAHO and the RHAs.
- Describe the services to be provided and the RHAs' service-level objectives.
- Describe the RHAs' privacy and security objectives.
- Describe the basis for paying for those services.
- Require SAHO to periodically report its assessments of the control it has established to achieve the RHAs' objectives. These reports should be audited by SAHO's auditor.

3. **We recommend that each of the Regional Health Authorities make service agreements with the Saskatchewan Association of Health Organizations covering services provided.**

Affiliate reporting required

Two affiliated organizations need to provide the information required by the Saskatoon RHA. Luther Care Communities (Lutheran Sunset Home) and St. Elizabeth's Hospital of Humboldt did not provide the Saskatoon

RHA with auditors' reports on internal controls and legislative compliance as required under their operating agreements with the RHA.

The RHA carries out some of its services through affiliates (i.e., privately-owned hospitals and nursing homes). Without adequate reporting, the RHA cannot ensure that its affiliates are safeguarding public resources and using them for intended purposes.

4. **We recommend that the Saskatoon Regional Health Authority obtain audited internal control and legislative compliance reports from all of its affiliated organizations as required by its operating agreements.**

Disaster recovery plan needed

Six RHAs need written, tested, and approved information technology (IT) disaster recovery plans to ensure they can continue to deliver their programs and services if their critical IT systems are not available. The plans should be based on a risk assessment that includes a prioritization of key programs and systems.

Although Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prairie North, Prince Albert Parkland, and Sun Country have processes to back up their systems and data, these processes may not be sufficient in the event of a disaster.

An IT disaster recovery plan should:

- set out the responsibilities of those who are to implement the plan
- include emergency procedures to be used while the system is unavailable
- include steps for the recovery and restoration of the system
- be regularly tested and updated

We continue to recommend that the Kelsey Trail, Mamawetan Churchill River, and Prairie North prepare information technology disaster recovery plans. In June 2004, PAC agreed with our recommendation.

5. **We recommend that the Keewatin Yatthé, Prince Albert Parkland, and Sun Country prepare information technology disaster recovery plans.**

Information technology policies and procedures needed

Seven RHAs need to establish information technology (IT) policies and procedures (processes) to ensure the confidentiality, integrity, and availability of information systems and data.

Cypress, Heartland, Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prince Albert Parkland, and Saskatoon need IT processes that ensure vital information is protected, accurate, complete, authorized, and available. The RHAs should base their IT processes on a formal threat and risk analysis. A threat and risk analysis allows management to identify the policies and processes it needs to protect its systems and data. For example, the IT processes should identify who is responsible for the security of systems and data, define how access to systems is granted or removed, and clearly identify the rules that staff need to follow. The RHAs also need to define how they will monitor compliance with IT processes and address weaknesses.

Once the RHAs establish their IT policies and procedures, they need to carry out a security awareness program. Awareness training helps ensure that staff understand the security policies, the security risks, and their responsibilities for security monitoring.

Without complete IT policies and procedures, the RHAs risk the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We continue to recommend that the Cypress, Kelsey Trail, Mamawetan Churchill River, and Saskatoon Regional Health Authorities establish information technology policies and procedures that are based on a threat and risk analysis. In October 2005, PAC agreed with our recommendation.

6. **We recommend that the Heartland, Keewatin Yatthé, and Prince Albert Parkland Regional Health Authorities establish**

information technology policies and procedures that are based on a threat and risk analysis.

Ensuring adequate accountability to the Legislative Assembly and the public

Annual reports need improvement

All RHAs need to improve their annual reports to help the Legislative Assembly and the public to assess the RHAs' performance.

For many years, our Office has encouraged improved performance reporting by the Government and its agencies. The CCAF[1] has set out reporting principles in a publication called *Reporting Principles – Taking Public Performance Reporting to a New Level*. Health has adopted this Guideline as best practice and has incorporated many of the principles into their Annual Report Guideline for Regional Health Authorities. Health also sets out some specific reporting requirements in an accountability document with each RHA.

The RHAs 2005-06 annual reports contain many of the necessary elements of a good performance report. The annual reports set out each RHA's goals and objectives for providing services to residents in the region. These goals and objectives are consistent with Health's strategic plan for the health sector. The annual reports describe each RHA's key risks in achieving its objectives but do not relate the risks to performance. Information on how these risks impact the RHAs' performance results would enhance reporting. Each annual report also includes audited financial statements and a related management report.

The annual reports describe actions taken by each RHA to meet objectives and often set out performance indicators to show progress compared to the prior year. To improve the annual reports, the RHAs should provide performance targets for each performance indicator to monitor progress in achieving the objectives. The annual reports should also provide or refer to information on how each indicator is calculated. The annual reports provide analysis explaining the results to the public for some of the indicators (e.g., Health Status, Outcome, and Dashboard Indicators). However the reports should provide an analysis for all reported indicators.

---

[1] CCAF-FCVI Inc. is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers." For more information, see www.ccaf-fcvi.com.

We encourage the RHAs to continue to strengthen their annual reports. We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that all the Regional Health Authorities' annual reports include:

- performance targets and actual results compared to plans
- risks to achieving its objectives and how the risks are managed

Accounting policies not consistent with GAAP

In our opinion, Keewatin Yatthé RHA's financial statements for the year ended March 31, 2006 are reliable except for the incorrect recording of the RHAs' revenue and assets.

The Minister of Health made an agreement with the Keewatin Yatthé RHA for capital construction. The RHA recorded $6.1 million in construction revenue from the GRF even though the RHA had not received the money or incurred the construction costs entitling it to the money.

In our opinion, Canadian generally accepted accounting principles (GAAP) do not permit the RHA to record revenue until it becomes entitled to the money, i.e., incurs construction costs. The recording of the $6.1 by the RHA in its financial statements as capital fund revenue before incurring the construction costs is not in accordance with GAAP. As a result, the RHA overstated its capital fund revenue and surplus by $6.1 million and its capital fund assets by $6.1 million.

Keewatin Yatthé's appointed auditor, advises us that it does not agree with the accounting principle that the RHA must receive the money or incur construction costs before it can record construction revenue from the Department. The appointed auditor thinks the restricted fund method of accounting for contributions allows for the recording of the revenue in the capital fund without matching to the expense, as long as the construction costs are likely to be incurred in the future. As a result, the appointed auditor thinks the RHA has appropriately recorded the capital fund revenue. We disagree for the reasons stated above.

For the year ended March 31, 2006, no other RHAs recorded capital revenue from Health before they incurred construction costs. Health approved the financial statements of all the RHAs regardless of which policy they chose.

We reported this matter in previous reports. In June 2004, PAC recommended that Health follow the "accounting position of the Provincial Comptroller's Office."

The Provincial Controller's office told us that it agrees with RHAs recording revenue when amounts are authorized and eligibility criteria are met. However, pending the outcome of the work being conducted by the CICA, the Provincial Controller's office accepted the position of the other six RHAs that did not record the revenue.

The Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments (grants) to clarify principles for recording grants because current standards do not provide sufficient guidance. The CICA project is not finished. We are awaiting further clarification from the CICA.

Prince Albert Parkland Regional Health Authority—Immunization coverage

2D

Introduction 91

Background 91

Our audit objective, conclusion, and recommendations 92

Our findings by criteria 93

Promote parents' awareness of immunization benefits 93

Organize services to encourage access to immunization 94

Create opportunities to immunize 96

Monitor immunization coverage 97

Selected references 100

This page left blank intentionally.

Introduction

Immunization is an essential primary health service that reduces the incidence of disease, severity of illness, and frequency of hospitalization. If a population does not maintain sufficient immunization coverage, it risks communicable disease outbreaks in local communities and the possibility of diseases spreading to other locations. Immunization may also decrease health care costs as it prevents the need for acute care.

To protect the public, governments monitor immunization coverage rates. Governments also monitor immunization coverage rates as a general indicator of health and awareness of disease prevention practices.

The immunization coverage rate often monitored is the percentage of eligible children receiving the recommended immunizations by their second birthday. Immunizing young children provides early disease protection and establishes positive contact with the health system.

This chapter reports the findings of our audit of the immunization coverage rate in the Prince Albert Parkland Regional Health Authority. In 2004, the Authority was one of four where immunization rates for two-year olds fell below 70%. The Public Health Agency of Canada recommends an ideal of 95% immunization coverage by age two.

Background

The Prince Albert Parkland Regional Health Authority (Authority) serves Prince Albert, Spiritwood, Big River, Shellbrook, and the surrounding areas. The Authority is accountable for the health of nearly 78,000 people including First Nations people living off reserves within its region.

In Saskatchewan, childhood immunization is provided free to residents. Saskatchewan regional health authorities (RHAs) provide most immunization services for children. In most cases, First Nations people living on reserves receive health services operated by the Federal Government or the Northern Inter-Tribal Health Authority. Regardless of who operates these health services for First Nations people, the Federal Government pays for the services and monitors the results.

All agencies immunizing children in Saskatchewan use the provincial immunization schedule. Primary immunization includes vaccines to prevent diphtheria, pertussis, tetanus, haemophilus influenza B, polio, measles, mumps, and rubella.[1] The schedule recommends infants and young children be immunized at ages 2, 4, 6, 12, and 18 months, with multiple injections at each visit.

Regional health authorities record immunization on paper and in a computerized record. The Saskatchewan Immunization Management System, or SIMS, is a centralized, internet-based record system. Federal and First Nations health services use paper records. Only if a child receives some immunization from the Authority would the Authority have a record of that child's immunization status.

Our audit objective, conclusion, and recommendations

The objective of this audit was to assess whether the Prince Albert Parkland Regional Health Authority has adequate processes as of June 30, 2006 to achieve recommended immunization rates for two-year olds.

To assess the adequacy of the Authority's processes, we developed criteria based largely on national immunization guidelines, a review of relevant literature, and the work of other audit offices as set out in Selected References. The Authority agreed that the criteria were reasonable and attainable.

To have adequate processes to achieve recommended immunization rates for two-year olds, the Authority should:

- promote parental awareness of the benefits of immunization
- organize services to encourage access to immunization
- create opportunities to immunize
- monitor immunization coverage

We found the Authority had adequate processes as of June 30, 2006 to achieve recommended immunization rates for two-year olds, except for its processes to create opportunities to immunize by

---

[1] Federal and First Nations health services also give immunizations for hepatitis A to children under two who live on reserves.

working with others and its processes to monitor immunization coverage.

1. **We recommend that the Prince Albert Parkland Regional Health Authority work with First Nations and Federal health agencies to maximize access to immunization for children in the region.**

2. **We recommend that the Prince Albert Parkland Regional Health Authority set target immunization coverage rates for children in the region and develop plans to achieve those targets.**

3. **We recommend that the Prince Albert Parkland Regional Health Authority regularly report to its board an analysis of the causes of its low immunization coverage rate.**

4. **We recommend that the Department of Health adjust its immunization performance measure so that it calculates the measure it has defined.**

Our findings by criteria

Promote parents' awareness of immunization benefits

To have adequate processes to promote parental awareness of immunization benefits, we expected the Authority to:

- *inform parents clearly of immunization benefits*
- *inform parents of risks and controls for safe immunization*
- *use effective promotional methods*

The Authority uses its own and Department of Health (Health) materials to inform parents about the benefits of immunization and controls that make immunization safe. Written materials are understandable with few technical terms. Most written materials focus on the direct benefits to the child; some materials mention benefits to the community (e.g., preventing the spread of disease).

When the Authority invites parents to immunize their children, the message often explains why immunization is important. For example, a radio advertisement informed parents: "These are shots that stop simple diseases that people used to die from."

Annual training for public health nurse certification includes information on risks and controls. The *Saskatchewan Immunization Manual* and the *Canadian Immunization Guide* recommend that nurses explain risks to parents. The Authority uses handouts from the Canadian Paediatric Society to tell parents how to handle risks like fevers after a child is immunized.

The Authority uses a variety of effective methods to communicate with parents including posters, handouts, mailed invitations, radio messages, and newspaper articles. Public health nurses talk directly with parents to encourage immunization (e.g., during prenatal classes, in community schools, in daycares).

The Authority uses consistent messages to promote parental awareness of the benefits of immunization. Messages like "vaccines are safe" and "vaccines prevent disease" are common.

The Authority's print materials are culturally neutral. For example, print materials often use graphic designs rather than pictures of people. In 2006, the Authority used radio advertisements. To encourage immunization, CKBI radio aired a "Grandparents Challenge" in English and Missinipi Radio aired a message from a grandmother speaking to her grandchild in Cree. The Authority also uses free community-service announcements on local radio stations.

The Authority works with doctors' offices, hospitals, and daycares to make parents aware of the benefits of immunization. For example, the Authority urges local physicians to display immunization posters in examining rooms.

Organize services to encourage access to immunization

To have adequate processes to organize services to encourage access to immunization, we expected the Authority to:

- *offer accessible times to immunize children*
- *offer accessible locations to immunize children*

- *reduce common barriers to access*
- *obtain resources to improve access to immunization*

The Authority offers immunization at reasonably accessible times and locations. The Authority offers sixteen immunization clinics in small communities outside Prince Albert and six within the city. The Prince Albert clinics are located throughout the city including areas where parents might not have transportation.

Appointment times vary by location. Usually immunization clinics operate from 8:30 a.m. to 4:30 p.m. one day each week or one day each month in some rural locations. Parents usually can obtain a scheduled appointment within a week in urban locations. In one location, the Authority offers a few appointments late in the day—up to 7:00 p.m. There are few lunch hour appointments. No appointments are available during weekends.

In addition, Prince Albert has drop-in immunization clinics. The Authority calculates that 70% of the immunizations it provides in the City of Prince Albert are at drop-in clinics. In rural areas, public health nurses often immunize children outside of scheduled clinic hours to meet family needs.

The Authority offers services to reduce known barriers to immunization. It recognizes major barriers such as the lack of transportation. If necessary, the Authority transports clients to immunization clinics in Prince Albert.

The Authority asks its other employees to help increase immunization rates. For example, nurses in hospitals and emergency wards refer children who may require immunization after their discharge.

The Authority also attempts to address barriers such as changing family structures and transience. Many children move often (e.g., from parents to grandparents, for parents' seasonal employment, for housing). When children move, the Authority no longer has current contact information. A public health assistant works to locate children whose contact information is no longer accurate.

The SIMS records are not automatically updated when families move and change their address for their health cards. In addition, due to problems with the accuracy of addresses and postal codes, SIMS may not identify all immunized children as belonging in the Authority's region.

The Authority has a $1.5 million budget (2005-06) for public health nursing; it does not budget for specific activities like immunization. The program manager occasionally requests resources for special immunization campaigns or activities. The Authority has not allocated resources to evaluate its immunization program.

During 2005-07, the Authority received $32,500 one-time funding from Health to help it improve its immunization coverage rates. The funding was for service to underserved areas, a data-entry pilot project, and computers that will facilitate recording immunizations electronically at all clinic locations.

Create opportunities to immunize

To have adequate processes to create opportunities to immunize children up to the age of two, we expected the Authority to:

- *use best practices to maximize immunization coverage*
- *follow up children who are not fully immunized*
- *work with other health service providers to maximize coverage*

The Authority uses manuals and other references that outline best practices to guide its immunization program. All staff have electronic access to the *Canadian Immunization Guide* and the *Saskatchewan Immunization Manual*. These manuals set out practices that help public health nurses to maximize immunization coverage. For example, the Authority expects that nurses rarely defer immunization. The Authority certifies public health nurses annually to ensure they know how to immunize safely and use best practices.

Every three months the Authority receives from SIMS, the provincial electronic record system, a list of children who are overdue for immunization. The Authority sends reminders by mail or telephone inviting families to attend an immunization clinic. In some cases, a public health assistant visits the family to urge that the children be immunized.

The Authority works with some agencies to improve immunization coverage rates. For example, the Authority works with a *KidsFirst* project for at-risk families to immunize participating children. The Authority also encourages daycares to require children to be immunized. With parents' consent, daycares help the Authority review each child's record and encourage any required immunization.

Public health nurses, health assistants, and other staff work co-operatively with health workers on reserves and in other health authorities. Workers fax immunization records on request so that a child may be immunized immediately. *The Health Information Privacy Act* enables this exchange of information between service providers to facilitate health care.

The Authority's managers have not communicated with local federal or First Nations health agencies serving the Aboriginal community to identify ways to improve immunization coverage in the region. Such discussions could help the Authority analyze the gaps and plan effective strategies to maximize immunization coverage.

Monitor immunization coverage

To have adequate processes to monitor immunization coverage, we expected the Authority to:

- *communicate expected coverage rates for immunization*
- *use the record system to facilitate accurate immunization records*
- *report analysis of immunization coverage rates*
- *act on reported immunization rates*

Expected childhood immunization coverage rates are not clear in Saskatchewan. The Public Health Agency of Canada recommends that ideally 95% of children should receive primary immunization by age two.[2] Health told us that 95% coverage may not be achievable in all areas of Saskatchewan; it has not set an alternate target rate. Thus, each regional health authority is responsible to assess its overall mandate and set priorities.

In 2006, the Authority had not set immunization coverage targets. When employees know the target, they can redesign programs or allocate resources to achieve the target. Immunization coverage targets for the region and for specific high-risk areas would help the Authority compare actual rates to those planned and analyze the reasons for differences.

---

[2] National Advisory Committee on Immunization recommends rate to the Public Health Agency of Canada.

The SIMS electronic record system has processes to protect the accuracy of immunization records. It has built-in checks to prevent errors. Employees are trained to use SIMS and can use a manual for further reference. A study done by Saskatchewan Health in 2005 concluded that "SIMS as an electronic immunization record is as accurate as the hard [paper] copy immunization record."[3]

Since 2001, the Authority has required its staff to maintain duplicate paper and electronic records. The Authority is working to increase its capacity to computerize data entry at all clinic locations. In 2006, the Authority requires nurses to verify twice that the record is accurate—when making a paper notation after immunizing a child, and again when entering the record into SIMS. The Authority has not evaluated the cost of its parallel recording system.

SIMS has some limitations in its capacity to help managers monitor immunization rates. SIMS reports data only from 2004-05 forward, so the Authority no longer monitors long-term trends as it did up to 2000. Also, SIMS provides immunization rates for the whole region and not for specific locations or communities. The Authority has not allocated resources to do regular surveys or hand-count immunization records to help it monitor immunization rates in specific areas with lower immunization coverage.

In 2005, there were approximately 1,000 children age two living in the Prince Albert Parkland region.[4] Children who receive any immunization from the Authority are registered in the Authority's immunization records. Of the approximately 800 two-year olds registered in the Authority's records, just over 530 or 67% were fully immunized at age two. Children who live in the region, but have never registered for immunization are not included in the calculation. Some children living in the region may have received immunizations from federal or First Nations health services and these would not be recorded in the Authority's electronic records.

---

[3] *Saskatchewan Immunization Management System (SIMS): Validation study*. SaskHealth 2005.

[4] 2005 estimate from Saskatchewan Health's Person Registry System.

Despite its limitations, the SIMS immunization rate for two-year olds is a performance measure that will help to monitor immunization coverage in the long term. As required, the Authority reports its SIMS immunization rates for two-year olds to the Department annually and in its annual report to the public. The Authority compares its SIMS immunization rate to the SIMS provincial rate, but it does not explain the reasons for lower rates in the Authority's area.

The reported immunization rate for 2005-06 was 67% for diphtheria and 67.8% for measles compared to provincial rates of 73% and 71% respectively. The reported immunization rate is misleading if not explained. The Authority's annual report does not explain the complexity of the calculation or whether the rate reported is accurate except to remind readers that some additional children may be immunized on reserves.

The Authority does not provide analysis of immunization rates to management or its board. The Authority has not analyzed the causes of its low immunization coverage. It does not explain the extent to which children are overdue to receive an immunization. It does not explain the proportion of two-year olds in the region who have valid health cards but whose immunization status is unknown. Lack of analysis can lead to failure to address root causes of low immunization rates.

The Authority's staff take action in response to the reported SIMS immunization rates. The public health nursing preschool team regularly discusses immunization rates and plans strategies to increase the coverage rates. For example, during April 2006, the Authority arranged for extra advertising and a door-to-door campaign to find children who were not immunized. The Authority evaluated that 59% of the children immunized during its April immunization blitz were behind with their immunizations. The Authority repeated its blitz strategies in August 2006 to improve its overall immunization rates.

Selected references

Canada. National Advisory Committee on Immunization. (December 1, 1997). Canadian guidelines for childhood immunization practices. In *Canada communicable disease report 23*(ACS-6), 1-5. http://www.phac-aspc.gc.ca/publicat/ccdr-rmtc/97vol23/23sup/acs6.html. (12 Oct. 2006)

Canada. National Advisory Committee on Immunization. (2002). *Canadian immunization guide*. http://www.phac-aspc.gc.ca/publicat/cig-gci/pdf/cdn_immuniz_guide-2002-6.pdf. (12 Oct. 2006)

Humphreys, J. (2006). *Improving preschool immunization coverage rates in targeted Saskatoon neighbourhoods.* Saskatoon: Disease Control Department, Public Health Services, Saskatoon Regional Health Authority.

Public Health Agency of Canada. (2003). *National immunization strategy: Final report 2003: A report form the F/P/T Advisory Committee on Population Health and Health Security (ACPHHS) to the Conference of F/P/T Deputy Ministers of Health.* http://www.phac-aspc.gc.ca/publicat/nat_immunization_03/index.html. (12 Oct. 2006)

Task Force on Community Preventive Services. (2000). Recommendations regarding interventions to improve vaccination coverage in children, adolescents, and adults. In *American Journal of Preventive Medicine 2000; 18* Suppl 1, 92-96.

Tarrant, M, & Gregory, D. (2003). Exploring childhood immunization uptake with First Nations mothers in north-western Ontario, Canada. *Journal of Advanced Nursing 41*(1), 63-72.

United States. General Accountability Office. (1993). *Childhood immunization: Opportunities to improve immunization rates at lower costs.* http://archive.gao.gov/d44t15/148883.pdf. (12 Oct.. 2006)

Saskatchewan Association of Health Organizations

2E

Introduction **103**

Our audit objective and criteria **104**

Our conclusions **105**

Key findings by criteria **105**

Show management commitment to security (governance) 105

SAHO needs to monitor the IPFE service provider 106

SAHO needs to monitor its external network service provider 106

Protect the payroll system from unauthorized access 107

Security policies and procedures needed 108

SAHO needs to strengthen security for its payroll system 108

Ensure the payroll system is available for operation 109

Ensure the integrity of the payroll transaction processing 109

SAHO needs to appropriately test and document payroll system changes 110

Selected references **111**

This page left blank intentionally.

Introduction

The primary business of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan[1]. Its members are the various healthcare providers within the Province. The largest members are the Regional Health Authorities (RHAs).

SAHO provides human resource and payroll services to almost all health care agencies in the province. SAHO processes payroll for approximately 37,000 people. Last year, the total payroll expenditures from the payroll system exceeded $1.2 billion. The RHAs incur the majority of the payroll expenditures. The RHAs must ensure they have adequate financial controls and reporting. SAHO provides payroll services on a cost recovery basis. SAHO has a Human Resource Management Steering Committee represented by members from the RHAs. The Steering Committee makes recommendations to management of SAHO about changes to the human resource and payroll system.

The payroll system is comprised of three separate computer systems known as Payroll Front End (PFE), Batch Calculations (BATCH), and Internet Personnel Front End (IPFE). PFE is a system some SAHO members use to transfer payroll data to SAHO for processing. This system is several years old and is in the process of being replaced. BATCH does all payroll calculations. BATCH also maintains data such as sick day and vacation accruals. IPFE is designed to replace PFE. In addition to allowing SAHO members to transfer information to BATCH, IPFE also stores all payroll transactions processed. Therefore, SAHO members can use IPFE for reporting purposes.

For the year ended March 31, 2006, SAHO had total expenses of $15 million (unaudited), an annual operating deficit of $0.4 million (unaudited), and held assets of $11.3 million (unaudited).

This chapter describes our audit of the SAHO payroll system for the period January 1, 2006 to March 31, 2006.

---

[1] *SAHO 2003-04 Annual Report.*

Our audit objective and criteria

The objective of our audit was to assess whether SAHO had adequate central controls to secure transactions on the payroll system for the period January 1, 2006 to March 31, 2006. The central controls are SAHO's policies and procedures for ensuring the security, integrity, and availability of the payroll system.

We use criteria to assess SAHO's processes. The criteria are based upon the *Trusted Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants, international standards, literature, and reports of other legislative auditors. SAHO agreed with the criteria.

Our criteria, set out in the Exhibit below, describe the key processes that we expected SAHO to use to secure transactions on its payroll system.

Exhibit 1—Audit criteria for securing the payroll system

To ensure SAHO has adequate central controls to secure transactions on the payroll system, SAHO should:

1. **Show management commitment to security (governance)**
    - 1.1 Responsibility for security is clearly defined
    - 1.2 A threat and risk assessment has been performed
    - 1.3 IT planning supports security
    - 1.4 Management has approved policies and procedures to secure the SAHO payroll system
    - 1.5 Management monitors security
    - 1.6 Service level agreements set out security, processing, and availability requirements
2. **Protect the payroll system from unauthorized access**
    - 2.1 User access is adequate to protect the payroll system from unauthorized access
    - 2.2 Physical security is adequate to protect the payroll system from unauthorized access
3. **Ensure the payroll system is available for operation**
    - 3.1 System and data backups occur and are tested
    - 3.2 Disaster recovery and business continuity plans are in place
4. **Ensure the integrity of payroll transaction processing**
    - 4.1 Change management processes exist and are followed
    - 4.2 Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our conclusions

We found that SAHO had adequate controls to secure its payroll system for the period January 1, 2006 to March 31, 2006 except SAHO needs to monitor security controls for its service providers to protect SAHO's systems and data, strengthen security for its payroll system, and appropriately test and document payroll system changes.

We are not able to report on the adequacy of controls for IPFE because SAHO does not have adequate processes to identify, evaluate, and monitor its information technology (IT) service provider's security controls and we were not able to audit the service provider directly.

SAHO uses an IT service provider to develop, manage, and host the IPFE system. If IPFE is not available, SAHO and its members would not be able to process payroll transactions or review payroll reports. Also, if the service provider's security controls are not adequate, the confidentiality and integrity of data on IPFE could be at risk.

Key findings by criteria

Show management commitment to security (governance)

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A strong IT division is led by a member of senior management. It is separate from the finance and operating divisions. It has a steering committee to ensure IT meets the agency's needs. Also an agency needs to monitor its security processes and those processes done by service providers to ensure that security is adequate to protect systems and data.

SAHO has setup an effective IT organizational structure. It is led by a member of senior management. SAHO also has a steering committee that is comprised of SAHO and client members. The committee meets regularly to discuss IT issues related to the payroll system and identify system changes and enhancements.

SAHO needs to effectively monitor its service providers to ensure that security is adequate to protect systems and data as described below.

SAHO needs to monitor the IPFE service provider

SAHO needs to monitor the security controls provided by the service provider that maintains and hosts IPFE.

SAHO needs to implement processes to identify, evaluate, and monitor the service provider's user access, physical access, availability, change management, and computer operation controls.

Without strong monitoring processes, SAHO can not ensure that the IPFE system and payroll transaction data is secure, will be available when needed, or that the service provider is effectively providing services to SAHO.

1. **We recommend the Saskatchewan Association of Health Organizations (SAHO) monitor the security controls of its Internet Personnel Front End service provider to protect SAHO's systems and data.**

SAHO needs to monitor its external network service provider

SAHO needs to monitor the security controls provided by its external network service provider.

SAHO has an agreement with a service provider to provide security and data transmission services for SAHO. The service provider did not provide an expected security service for SAHO during the audit period. Also, the service provider does not provide any assurances on the security of SAHO data travelling on its network.

As a result of these weaknesses, SAHO does not know that its systems are protected from unauthorized users. Also, SAHO does not know its data transmitted on the service provider's network is secure or the network will be available when needed.

2. **We recommend the Saskatchewan Association of Health Organizations (SAHO) monitor the security controls of its external network service provider to protect SAHO's systems and data.**

Protect the payroll system from unauthorized access

We expect SAHO to ensure it has adequate physical access and user access processes to protect the payroll system from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, SAHO's buildings should be locked after hours and have processes to physically prevent unauthorized persons from entering facilities during working hours.

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the increased use of the Internet, on-line approvals, and automated processes.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password gives access.

The access controls must also establish access rights. Access rights determine what systems, information, and applications a user can see or use. Access rights can also segregate duties within an application. When contractors obtain access to a SAHO system, they should follow SAHO's standards and be closely monitored. Finally, all access should be for a limited time and be reviewed periodically.

SAHO has good physical security controls for protecting its IT infrastructure. These controls are designed to ensure that unauthorized users do not obtain access to SAHO's facilities.

SAHO needs to improve its user access processes as described below.

Security policies and procedures needed

SAHO needs security policies and procedures for its information systems.

SAHO has made good progress in improving its security policies and procedures. SAHO's policies and procedures now identify who is responsible for the security of systems and data, define how access to systems is given or removed, and clearly identify the rules that staff need to follow. SAHO also did a security awareness training session for staff during the year.

SAHO has developed a plan for implementing its security policies and procedures. SAHO will need to ensure that it makes staff aware of and monitors compliance with its security policies and procedures.

We reported this matter in a previous report. In March 2006, the Standing Committee on Public Accounts agreed with our recommendation.

We continue to recommend that SAHO prepare, approve, and implement written security policies and procedures for its information systems.

SAHO needs to strengthen security for its payroll system

SAHO needs to ensure it has strong security processes to protect its systems and data. This includes ensuring that only authorized users have appropriate access to the systems and data. Also, SAHO needs to secure access to systems and data from non SAHO locations, follow established password standards, and protect its systems from known security risks.

Without strong security processes, SAHO can not ensure the confidentiality, integrity, and availability of the payroll system and data.

3. **We recommend Saskatchewan Association of Health Organizations only allow authorized users access to its systems and data, follow established password standards, and protect its systems from known security risks.**

Ensure the payroll system is available for operation

We expect SAHO to have strong processes to ensure the payroll system is available for operation when needed.

The availability of IT systems requires an agency to have good backup and recovery processes. This will ensure that systems and data can be restored in the event of a minor failure.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

SAHO has good backup and recovery processes. These processes ensure that backups are done daily and stored offsite. SAHO has implemented a backup payroll system in another city. The purpose of the backup system is to ensure that the payroll system can continue to provide services if the primary system fails. SAHO tested its backup site in December 2005. SAHO plans to test the backup site every six months to ensure it works as planned.

Regular testing of the backup system is needed to ensure it will work as planned. Also, as noted earlier, SAHO needs to monitor its service providers to ensure that a service provider's failure would not impact SAHO's ability to continue to deliver payroll services. Currently, a failure by the IPFE service provider or the external network service provider could make SAHO's payroll system unavailable even with a backup site.

Ensure the integrity of the payroll transaction processing

We expect SAHO to have strong processes for maintaining the integrity of the payroll system and related data. This includes processes for documenting, testing, approving, and moving changes from a test system to the payroll system. There should also be a quality assurance review after the change is complete. The quality assurance process ensures standards are met.

The payroll system started in 1973. SAHO took responsibility for the payroll system starting in 1995. To make sure the system continues to meet user needs, SAHO will need to make changes to its payroll systems on a regular basis. If a system change does not follow strong change management processes, the system may not work as planned or the accuracy and completeness of data may be at risk.

SAHO has developed policies and procedures for developing, testing, and implementing system changes. SAHO now needs to implement these policies and procedures.

SAHO needs to appropriately test and document payroll system changes

SAHO needs to ensure changes to its systems are appropriately tested to ensure the integrity and availability of its systems.

SAHO requires test plans to be documented and approved. SAHO told us that it shredded all test plans and test results due to space requirements. Therefore, we do not know what tests were completed for a change, who completed the testing, or the test results.

Without strong testing processes, SAHO can not ensure the integrity and availability of its systems.

4. **We recommend that Saskatchewan Association of Health Organizations appropriately test and document payroll system changes.**

Selected references

International Organization for Standardization. (2005). ISO/IEC 17799:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

Canadian Institute of Chartered Accountants. (CICA). (2003). *Trust Services Principles and Criteria*. Toronto: Author.

Canadian Institute of Chartered Accountants. (CICA). (1998). *Information Technology Control Guidelines*. Toronto: Author.

The Information Systems Audit and Control Foundation. (2000). *CoBiT-Governance, Control and Audit for Information and Related Technology 3rd Edition*. Rolling Meadows, IL: Author.

This page left blank intentionally.

Learning

3

Main points **114**

Introduction **115**

- Related special purpose funds and agencies 115
- Financial overview 116

Audit conclusions and findings **117**

- Findings—Department 118
  - Improvements to human resource plan needed 118
  - Service level agreements required 119
  - Status of previous recommendations 120
  - Reporting of incorrect pension costs 121
- Findings—Saskatchewan Apprenticeship and Trade Certification Commission 122
  - Background 122
  - Service level agreement needed 123
- Findings—Student Aid Fund 123
  - Background 123
  - Verification of critical information needed—status of previous recommendation 123

Reliability and understandability of performance information **125**

- Introduction 125
- Audit objective 125
- Criteria and what we did 126
- Conclusion 127

Selected references **130**

Main points

The Department of Learning oversees the learning sector including its various partners (such as school boards, universities, regional colleges, public libraries). During 2005-06, the Department spent over $1 billion delivering its program and services.

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, and at the right time to meet the Department's goals and objectives.

The Information Technology Office (ITO) now delivers information technology services to the Department and Saskatchewan Apprenticeship and Trade Certification Commission (SATCC). The Department and SATCC need to sign a service level agreement with ITO to ensure all the Department and SATCC's needs are met.

In our 2005 Report – Volume 3 and prior reports, we made recommendations for the Department to improve its processes to safeguard public resources. During 2006, the Department made some progress in addressing our outstanding recommendations. An update on each recommendation is provided.

We also report the results of our audit on the reliability and understandability of the Department's performance information. We concluded that the performance information reported by the Department for Goal 1 of its *2005-06 Annual Report* is reliable and understandable.

Introduction

The Department of Learning (Department) has overall responsibility for the learning sector. This sector includes programs and services for early childhood development, pre-kindergarten to Grade 12 education, post-secondary education, technical training, public libraries, and student financial assistance.

The Department's responsibilities are set out primarily in *The Education Act, 1995, The Department of Post-Secondary Education and Skills Training Act*, and *The Public Libraries Act, 1996*.

In April 2006, the Government restructured the Department into two new departments: the Department of Learning and the Department of Advanced Education and Employment.

Related special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	Year-end
Saskatchewan Correspondence School Revolving Fund	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Training Completions Fund	March 31
Prince of Wales Scholarship Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Teachers' Superannuation Commission (TSC)	June 30

Financial overview

Each year, the learning sector spends over $2 billion. The Government, primarily through the Department provides over $1 billion. K–12 education school divisions raise about $695 million through local property taxes; universities raise about $400 million primarily through tuition fees, federal government grants, and sales of services.

As set out below, the Department spent over $1.4 billion in 2005-06.

Table 1

	Estimates 2005-06[1]	Actual 2005-06
	(in millions of $)	
Central Management and Services	$ 12.8	17.2
Post-Secondary Education	396.8	519.0
K -12 Education	606.9	625.1
E-Learning	7.0	6.7
Training programs	33.7	34.5
Student Support programs	69.5	50.9
Provincial Library	8.6	9.0
Early Childhood Development	3.3	3.0
Education Property Tax Relief	55.0	51.0
Teachers' Pensions and Benefits	160.1	155.2
Capital asset acquisitions	(1.0)	(2.2)
Capital asset amortization	3.5	3.5
	$ 1,356.2	$1,472.9

In 2005-06, the Department had revenues of $60.1 million (2005 - $59.7 million) of which 98% (2005 - 98%) came from the Federal Government primarily for labour market development programs.

The Department's *2005-06 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (See www.sasked.gov.sk.ca to view this report).

---

[1] The Department of Finance, *2005-2006 Saskatchewan Further Estimates*. The Estimates total does not include the additional $127,375 thousand authorized through the *Saskatchewan Supplementary Estimates - November* for the Department of Learning (Vote 5), special warrant, i.e., Order in Council 112/2006, and a statutory adjustment.

Audit conclusions and findings

This section reports the results of our 2006 audits of the Department, the five special purpose funds, three of eight regional colleges (i.e., Cumberland, Prairie West, and Northlands), SATCC, and SIAST. It does not include the results of our audit of the Teachers' Superannuation Commission (TSC). We have not completed this audit because TSC has not finalized its financial statements.

In our opinion, for the years ending on or before June 30, 2006:

- **the Department and the above-listed agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Department complied with authorities governing its and the above-listed funds' and agencies' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the 2006 financial statements of the above-listed funds and agencies are reliable**

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related departmental officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor for each agency. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[2] The auditors of the other five colleges did not report any new matters for the colleges they audited.

---

[2] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Cumberland Regional College	Neumann & Neumann, Chartered Accountants
Prairie West Regional College	Gilchrist & Co. Certified Management Accountants
Northlands Regional College	Deloitte & Touche LLP, Chartered Accountants

Also, this chapter contains the results of our audit on the reliability and understandability of the Department's performance information.

The following sections set out our detailed findings.

Findings—Department

This section includes two new matters and provides an update on the status of previously reported recommendations.

Improvements to human resource plan needed

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, at the right time.

In 2005-06, the Department developed its *Human Resource Strategic Plan 2006-2007*. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

We found that the Department's human resource plan sets priorities and identifies key human resource risks. The plan sets out its current and future supply of human resource needs based on occupations and competencies. It does not quantify the Department's needs (i.e., the number of employees needed). Therefore, the plan only provides a broad description of the gap that exists between required and actual human resources.

The plan sets out strategies and broad action plans to address the human resource risks identified. However, it does not provide completion dates or assign responsibility for carrying out the action. The plan should also describe how the Department would monitor the implementation of the major strategies and achievement of planned results. The Department sets out performance measures with targets but does not indicate the frequency and nature of management reports.

1. **We recommend the Department of Learning's human resource plan:**

   - **quantify its human resource needs**
   - **provide details on the human resource gap between actual and required resources**
   - **provide details on plans to implement the major strategies**

Service level agreements required

The Department does not have a service level agreement with the Information Technology Office (ITO).

ITO delivers information technology services that the Department previously delivered itself. Therefore, the Department needs to sign a service level agreement with ITO setting out the roles and responsibilities of both ITO and the Department. For example, the agreements would describe the services to be provided by ITO (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements. Without the signed service level agreement, there is a risk that the Department's needs may not be met.

2. **We recommend the Department of Learning sign a service level agreement with the Information Technology Office.**

Status of previous recommendations

The table below provides an update on outstanding matters previously reported. The Standing Committee on Public Accounts discussed these recommendations in the past and agreed with them.

Table 2

Previous recommendation	Key actions or activity during audit period	Implemented (Yes/No/Partial)
We recommend the Department of Learning use a department-wide risk assessment to guide the nature and extent of its evaluation activities.	Due to the restructuring of the Department, which was announced in February 2006, the department-wide risk assessment was not completed in 2005-06. The Department has assigned an individual to lead this work in 2006-07, with the risk assessment to be completed by March 2007.	Not implemented
We recommend the Department of Learning provide staff with written guidance on situations unique to the Department to help staff avoid conflict of interest situations.	The Department is currently developing processes and procedures to ensure all staff are aware of the criteria constituting a conflict of interest situation.	Not implemented
We recommend the Department use procedures that prevent and detect incorrect payments to meet the pre-established rate.	The Department's overpayment experience continues to be higher than it deems acceptable for provincial training allowances. In July 2004, the Department approved a maximum rate of incorrect payments of 5.0% and corrective actions to reduce to a maximum rate of 4% within 24 months. At March 31, 2006, the Department determined 5.32% (March 31, 2005 – 5.10%) of its total 2005-06 disbursements resulted in overpayments. During the year, the Department paid out $23.2 million (2004-05: $21.7 million) in provincial training allowances. At the end of the 2005-06 fiscal year, the Department implemented several new verification procedures for the provincial training allowance payments. These procedures should help prevent and detect incorrect payments to meet the pre-established rate.	Partially implemented

Previous recommendation	Key actions or activity during audit period	Implemented (Yes/No/Partial)
We recommend the Department provide legislators and the public with a clear concise description of the accountability relationships between the Department and the key provincial agencies within the learning sector.	In its 2005-06 Annual Report, the Department improved its description of the responsibilities of the agencies in the learning sector. However, the detail is not yet sufficient for the legislators and public to have a clear understanding of who is accountable for what, to who, and how. Management noted that the new performance plans for the new departments of Learning and Advanced Education and Employment are currently under development and will include descriptions of the accountability relationships.	Partially implemented
We recommend that the Department work with school divisions and other stakeholders to set requirements for school division's reporting on their performance.	The Department continues to use its initiative "Strengthening Education Capacity" to move forward in having school divisions report on their performance. Working with the school divisions and other education stakeholders, the Department developed the Continuous Improvement Framework to assist school divisions reporting on their performance. The Department began implementing the Framework in February 2006.	Partially implemented
We recommend that the Department set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector (GAAP).	The Department is taking the lead on the project to have all school divisions comply with GAAP. The Department is targeting August 31, 2009 for all school divisions to be in compliance with GAAP.	Not implemented

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Department has not reported its costs of teachers' pensions properly.

The Department follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2006 financial statements of the General Revenue Fund[3], we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

As a result for the year ended March 31, 2006, the Department understates the amount of teachers' pension and benefit costs reported in its annual report by $55 million (2005 - understated by $65 million) and understates the amount it owes for teachers' pensions by $2.6 billion (2005 - $2.6 billion). We report this concern in our report on the Department of Finance.

Findings—Saskatchewan Apprenticeship and Trade Certification Commission

Background

The Saskatchewan Apprenticeship and Trade Certification Commission (the Commission) is established under *The Apprenticeship and Trade Certification Commission Act, 1999*. The Commission manages the provincial apprenticeship and trade certification system. This includes:

- designating trades for apprenticeship training and certification
- registering and monitoring the training of apprentices and journey people
- facilitating training delivery
- providing certification of achieved skill levels to apprentices and journey people
- representing Saskatchewan on inter-provincial apprenticeship and trade certification initiatives

In 2006, the Commission had revenues of $12.2 million, including $10.3 million from the Department (General Revenue Fund), and had expenses of $12.0 million. At June 30, 2006, the Commission's accumulated surplus was $1.6 million.

---

[3] *Public Accounts 2005-06: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund]. pp. 11-12.

Service level agreement needed

The Commission needs to sign a service level agreement with the Information Technology Office (ITO) for the delivery of IT services.

ITO provides IT service delivery for the Commission effective April 2006. The Commission does not have an agreement with ITO to manage the services delivered.

Without a signed service level agreement, there is a risk that the Commission's needs may not be met. Also, the Commission does not know whether its systems and data are secure and will be available when needed.

3. **We recommend the Saskatchewan Apprenticeship and Trade Certification Commission sign a service level agreement with the Information Technology Office for the delivery of information technology services.**

Findings—Student Aid Fund

Background

The Department uses the Student Aid Fund (Fund) to help students finance their education. It does this through providing students with grants, bursaries, and loans.

In 2006, the Fund had revenues of $30.8 million including $16.9 million from the General Revenue Fund and had expenses of $39.8 million. At March 31, 2006, the Fund held net assets of $5.9 million.

Verification of critical information needed—status of previous recommendation

As previously reported, the Department needs to verify critical information on student loan applications within a reasonable time period.

During the year, the Department approved approximately 15,000 student loans (2005 - 16,000 loans) for approximately $55 million (2005 - $60 million). The Department also paid debt reduction benefits[4] to students and incurred other costs of $32 million (2005 - $27 million). These debt reduction benefits and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled, these debt reduction and other costs also increase.

By not verifying all critical information within a reasonable time period, the Department may incur unnecessary costs and may not comply with the provisions of the regulations that govern student assistance. The Department must decide which applicant information to verify before approving loans and which information to verify at a later date. Sufficient and timely verification of critical information reduces the Department's risk of incurring significant additional costs and of not complying with governing authorities. Verifying critical information on student loan applications ensures only eligible students receive aid and that the amount of aid they receive is correct. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

The Department has made good progress in verifying critical information on student loan applications. The Department has adopted a risk management approach to verifying critical information. The Department has verified some higher risk data variables and plans to verify other high risk data variables.

Because the Department did not have processes to verify all critical information and it is not practical for us to do so, we are unable to report the extent to which students may have received incorrect amounts of aid. We have reported this matter for several years. The Standing Committee on Public Accounts previously agreed with this recommendation in March 2001, April 1999, and December 1996.

We continue to recommend that the Department verify critical information on student loan applications.

---

[4] Debt reduction benefits include grants and bursaries which offset the student loans issued to post-secondary students based on established criteria.

Reliability and understandability of performance information

Introduction

Publishing objectives, performance measures, and the results achieved is key to open and accountable government. In Saskatchewan, the Government's accountability framework calls for departments to report on their performance annually.

Audit opinions on whether reported performance information is reliable and understandable add value to the information by adding credibility. Also, audits examine the processes used to prepare the information. Identifying areas for improved processes helps to foster better controls over the information systems. Users can be more confident that audited information is reliable.

Our Office provides assurance on whether performance information in annual reports is reliable and understandable. Examples include reports by the Information Services Corporation and the Department of Health in 2004 and the Department of Finance annual report in 2005.

For 2005-06, the Department was accountable for the elementary, high school, and post-secondary education systems as reflected in its performance measures. In April 2006, the Government restructured the Department, but it continued to use the same goals and performance measures. The Department's Goal 1 was that *Learners succeed*. The performance measures for Goal 1 are set out in Exhibit 2.

Audit objective

The objective of this audit was to provide an opinion on the reliability and understandability of information for Goal 1 performance measures as reported in the Department's *2005-06 Annual Report*. We did not audit whether the performance measures are relevant or appropriate.

Exhibit 2—The Department's Goal 1 Performance Measures for 2005-06

Goal 1 - Learners succeed

Objective 1 - Optimize children's readiness to learn
Performance measures:

- Under development

Objective 2 - Enhance Learner outcomes
Performance measures:

- number of graduates/completers by type of credential
- percent of students in a cohort starting Grade 10 who finish within three years after they start
- percentage of K-12 students performing at age appropriate (target) levels in mathematics, science, reading, and writing on national School Achievement Indicators Program (SAIP) assessments

Objective 3 - Deliver high quality curriculum, programs, and services
Performance measures:

- public satisfaction with the learning sector
- number of post-secondary programs eligible for accreditation, which have achieved accreditation
- enrolments by type of credential and type of delivery

Objective 4 - Increase access to information and resources through improved use of technology
Performance measures:

- the number of on-line courses under development, available for delivery and delivered: K-12 and post-secondary

Source: Department of Learning *2005-2006 Saskatchewan Provincial Budget Performance Plan* and the *Department of Learning: 2005-06 Annual Report*

Criteria and what we did

To do our audit, we followed Standards for Assurance Engagements established by The Canadian Institute of Chartered Accountants. We based our audit criteria on a review of the reports of other auditors and relevant literature. Our primary sources are set out in the selected references. We confirmed the appropriateness of these criteria with the Department.

We examined the controls that the Department uses to achieve reliable information. We tested whether information in the "*What Are We Measuring?*" section of its *2005-06 Annual Report* accurately reflects the Department's actual performance results. We also evaluated the overall presentation of the Goal 1 performance information.

Exhibit 3—Criteria—reliable and understandable performance information

For information on performance measures to be adequately reliable and understandable, agencies should have processes to ensure that the information reported:

1. Is reasonably accurate and complete
    1.1. is free from significant error
    1.2. is free from significant omissions
    1.3. is produced by systems that control quality

2. Is verifiable
    2.1. states time period covered
    2.2. discloses data source and any data limitations
    2.3. explains calculation of measures
    2.4. explains if measure is comparable to prior years' measure

3. Is understandable
    3.1. is appropriately explained
    3.2. compares performance to prior or expected performance
    3.3. discloses unusual events or circumstances impacting results

Conclusion

We concluded that the performance information reported by the Department in the "*What Are We Measuring?*" sections for Goal 1 of its *2005-06 Annual Report* is, in all material respects, reliable, understandable, and in accordance with the reporting principles described by management on page 3 of its *2005-06 Annual Report* (see Exhibit 5).

Public performance reporting is evolving and therefore situations arise that prevent full compliance with criteria. Management disclosed and explained limitations to the performance information. We encourage readers to use the annual report to evaluate the performance of the learning sector, but to keep in mind management's explanations of the limitations of its performance information.

Exhibit 4 reproduces our audit opinion. It also appears on page 4 of the Department's *2005-06 Annual Report* at www.sasked.gov.sk.ca under Publications.

Exhibit 4—Audit opinion

To the Members of the Legislative Assembly of Saskatchewan

I have audited the performance information reported by the Department of Learning in the *What Are We Measuring?* sections for Goal 1 of this Annual Report. The information is prepared in accordance with the principles for reliability and understandability described in management's representation on page 3. The information is the responsibility of the department's management. My responsibility is to express an opinion on the reliability and understandability of the performance information based on my audit. My audit work was limited to the information relating to the most recent year. Comparative information for prior years has not been audited. My audit was not designed to provide assurance on the appropriateness or relevance of the goals, objectives, or measures set by the Department of Learning.

I conducted my examination in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the performance information and related disclosures. An audit also includes assessing the principles used and the significant judgments made by management, as well as evaluating the overall presentation of the performance information.

In my opinion, the performance information relating to the most recent year reported by the Department of Learning in the *What Are We Measuring?* sections for Goal 1 of this annual report is, in all material respects, reliable, understandable, and in accordance with the principles for reliability and understandability described in management's representation on page 3.

Public performance reporting is evolving and therefore situations arise that prevent full compliance with criteria. Management has disclosed limitations to the performance information in situations where, in their judgment, the information does not fully conform to the criteria. Management has fairly stated the limitations and why they exist. Readers are encouraged to use the measures to evaluate the performance of the learning sector, but to keep in mind management's explanations of the limitations of its performance information.

[signature]
Fred Wendel, CMA, CA
Provincial Auditor Saskatchewan

June 28, 2006
Regina, Saskatchewan

Exhibit 5—Management's representation on performance information

The performance information in Goal 1 of the Department of Learning's 2005/06 Annual Report has been prepared in accordance with the following principles.

The performance information maintained by the department is reliable. Limitations are disclosed by both the department and, to the best of our knowledge, by learning sector partners. Reliability of data received from learning sector partners was not verified although the data was compared to public sources. As a result, there could be errors in the information. Not withstanding these limitations, we consider this to be the best information available at a reasonable cost.

The performance information provides the level of detail, language, and comparisons needed to enable a proper understanding of performance. The performance measures are comparable over time and reported at appropriate and meaningful levels.

Sincerely,

[*signature*]
Bonnie Durnford
Deputy Minister
Saskatchewan Learning

Source: Department of Learning's *2005-06 Annual Report*

Selected references

Auditor General of British Columbia. (July 2005). *Building better reports: Our assessment of the 2003/04 annual service plan reports of government*. Victoria: Author.

Auditor General of Western Australia. (July 1999). *OAG audit standard—The audit of performance indicators*. West Perth: Author.

Auditor General of Western Australia. (1998). *Using customer surveys to report performance in the Western Australian public sector*. West Perth: Author. http://www.audit.wa.gov.au/reports/report98_5.pdf (1 November 2006)

CCAF-FCVI. (2002). *Public performance reporting guidance*. Ottawa: Author.

CCAF-FCVI. (2002). *Reporting principles—Taking public performance reporting to a new level*. Ottawa: Author.

Information Services Corporation. (March 2004). Schedule of performance information (balanced scorecard). In *2003 annual report*. Regina: Author.

The Department of Finance. (2005). *Annual report 2004-2005*. Regina: Author.

The Department of Health. (2004). *Saskatchewan comparable health indicators report*. Regina: Government of Saskatchewan.

The Department of Learning. (2006). *2005-2006 Annual report*. Regina: Author

Community Resources

4

Main points..132

Part A – Community Resources..133

Part B – Oyate ataya WaKanyeja OwicaKiyapi Inc..153

Main points

Part A of this chapter notes that the Department of Community Resources (DCR) needs to strengthen its processes to ensure that it spends public money only for the purposes intended by the Legislative Assembly. DCR needs to continue to strengthen its processes:

- to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance
- to ensure that it protects children and that payments to care givers are authorized
- to improve its assessment of community-based organizations' progress in achieving DCR's objectives

DCR needs a business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We also examined DCR's actions on our 2004 recommendations to strengthen its processes to measure its progress in helping social assistance recipients and others seeking financial assistance to find and keep work. We found that DCR's actions are not yet adequate to implement our recommendations.

Part B describes our special investigation of Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate) in response to the March 9, 2006 request of the Standing Committee on Public Accounts. The Committee asked our Office to carry out an immediate special investigation of the services, administration, and operations of Oyate including any allegations of wrong-doing. The findings and conclusions were reported to the Members of the Standing Committee on Public Accounts in June 2006 (see www.auditor.sk.ca).

Community Resources

4A

Introduction **135**

Special purpose fund and Crown agency 136

Our audit conclusions and findings **136**

Need to follow processes to protect children 137

Processes to make payments need strengthening 138

Social assistance payments 138

Corrective actions taken by DCR 139

Transitional employment allowance payments 141

Employment supplement payments 142

Supervision of community-based organizations needs strengthening 143

Agreements with community-based organizations 143

Financial and operational performance reports 144

Financial reports 144

Operational reports 145

Business continuity plan required 146

IT security needs strengthening 147

Human resource plan needs to improve 148

Hiring processes for employees needs strengthening 149

Welfare to work—a follow-up **149**

Define performance measures 150

Obtain relevant and reliable information about welfare recipients 151

Analyze the information that is collected 151

Report progress in achieving targets to senior management 152

Summary 152

This page left blank intentionally.

Introduction

The mandate of the Department of Community Resources (DCR) is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, child care, career services, and employment programs. DCR helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

The Government's summary financial statements show "social services and assistance" expenses of $844 million for the year ended March 31, 2006.

The following table shows the Government's total spending for social programs and services:

	(in millions of dollars)	
	2006	2005
Department of Community Resources	$ 631	$ 602
Saskatchewan Housing Corporation	133	143
Department of Learning	21	20
Department of Government Relations	3	3
Department of Corrections and Public Safety	40	39
Department of Justice	16	14
Total	$ 844	$ 821

DCR received $631 million from the General Revenue Fund to deliver its programs and earned revenues of $20 million. Information about DCR's revenues and expenses appears in its annual report (see www.dcre.gov.sk.ca).

The following is a list of DCR's major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Income Support	$ 340	$ 311
Family and Youth Services	67	74
Community Living	81	82
Regional Service Centres	71	75
Child Care	25	28
Accommodation and Central Services	19	19
Other	30	38
Early Childhood Development	4	4
Total	$ 637	$ 631

Special purpose fund and Crown agency

DCR is responsible for the following special purpose fund and Crown agency:

	Year-End
Social Services Central Trust Account	March 31
Saskatchewan Housing Corporation (SHC)	December 31

We reported the results of our audit of SHC in our 2006 Report – Volume 1, Appendix 2.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **DCR had adequate rules and procedures to safeguard public resources except as described in this chapter**

- **DCR complied with the authorities governing its financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**

- **the financial statements of the Trust Account are reliable**

Need to follow processes to protect children

DCR needs to ensure that children in its care are protected and that payments to the children's custodians are authorized.

DCR is responsible to promote the well-being of children, youth, and families throughout the Province. DCR has services designed to protect children from abuse and neglect, support families and communities in caring for children, assist people facing family violence, and adopt children.

DCR has approximately 1,800 children in foster care and 1,100 in alternate care. Foster care providers usually do not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child.

DCR has processes to place children in its care. If DCR does not follow its processes, it cannot ensure that the children in its care are safe and that payments to care providers are authorized. For First Nations children living on reserves, DCR makes agreements with Indian bands (or their agencies) to provide these services on behalf of DCR. The agreements require the bands to follow processes equivalent to DCR's processes for children in care.

DCR did not always follow its processes or ensure Indian bands followed equivalent processes. As a result, DCR did not know whether all children in its care, including those in the care of First Nations agencies, were protected or that payments to custodians were authorized. Exhibit 1 shows our audit results for the past four years on the rate of non-compliance where DCR provides the services to protect children.

Exhibit 1—Percentage of client files not complying with child protection policies

	2006	2005	2004	2003
No criminal record check*	13%	20%	31%	40%
Inadequate home study	0%	13%	31%	23%
Inadequate contact with children	21%	35%	54%	NA**
No agreement with foster care provider	13%	13%	33%	20%

* Non compliance generally relates to non-care providers in the home.

** Audited information not available.

The Exhibit shows that DCR is improving compliance with its processes, but more progress is needed. DCR has developed a long-term Quality Improvement Plan (Plan) to improve employees' compliance with its processes for protecting children in care. The Plan, combined with long-term commitment from senior management, should provide a reasonable basis for DCR to ensure employees comply with processes so that children in care are protected and that payments to custodians are authorized.

We also reported this matter in prior years. In September 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that DCR follow its rules and procedures to ensure that children in its care are protected and the payments to custodians are authorized.

Processes to make payments need strengthening

Social assistance payments

DCR needs to strengthen its processes to ensure that only eligible persons receive assistance and that they receive the correct amount of assistance.

In 2005-06, DCR made almost 800,000 payments for social assistance totalling $204 million. It must make many of these payments quickly. A client's need for food, clothing, and shelter often require payment that day, or within a few days. DCR must later verify the client's eligibility for assistance and the amount that was required.

In addition, a client's eligibility for assistance (e.g., living arrangements, levels of income) often changes, which affects the amount of required assistance. If the client does not promptly inform DCR of such a change, it will make incorrect payments until it re-assesses the client's need. DCR's processes require this re-assessment on every client at least once each year.

Exhibit 2 shows our audit results for the past four years on the rate of non-compliance with DCR's established processes.

Exhibit 2—Percentage of client files containing inadequate support for payments

	2006	2005	2004	2003
Client identification	0%	10%	18%	33%
Needs/expenses	30%	26%	29%	25%
Marital status	14%	1%	8%	13%
Living arrangements	13%	10%	16%	23%
Child support[1]	8%	29%	33%	27%

The Exhibit shows that DCR is improving compliance with some of its processes, but more progress is needed.

We reported this matter in prior years. In June 2001, PAC agreed with our recommendations.

We continue to recommend that DCR follow its established processes that ensure only eligible clients receive social assistance and that they receive the correct amount of social assistance.

We continue to recommend that DCR improve its records and document its procedures to ensure that custodial parents receiving social assistance pursue child support.

Corrective actions taken by DCR

In this section, we describe steps taken by DCR to improve compliance with its processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of social assistance.

Quality improvement plan

In May 2004, DCR prepared a long-term Quality Improvement Plan (Plan). The purpose of the Plan is to 1) improve the quality of social assistance delivery, and 2) to improve compliance with DCR's processes for social assistance payments including strengthening the processes if necessary. The Plan, combined with long-term commitment from senior management, provides a reasonable basis for DCR to achieve and maintain compliance with its processes. DCR is making satisfactory progress in implementing the Plan.

---

[1] Clients must pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent if obtaining such support is possible.

DCR is showing commitment to this Plan. It has strengthened its internal audit function. It has approved a new position responsible for performance management and quality assurance. It has formed a committee to develop best practice and policy interpretation training for both new employees and existing staff.

DCR has implemented most of the actions in the Plan. It has established a Quality Improvement database to track compliance errors. It is sharing this information with its regional offices and staff delivering the services to identify systemic problems and seek solutions.

DCR has modified some systems such as client intake and tracking of child support. These changes appear to have contributed to the improvement seen in our audit findings reported earlier. DCR has further plans for system modifications to address other compliance indicators. The new performance management and quality assurance position, once staffed, will be developing performance indicators and measures.

Control review

DCR, with assistance from the Department of Finance, completed a control review of all processes for social assistance payments. The purpose of the review was to strengthen processes to safeguard public resources and to ensure that only eligible persons receive the correct amount of assistance.

DCR has implemented the review's recommendations. It has improved segregation of duties and system access controls. It has improved physical security around blank and issued cheques. It is delivering fraud awareness training to all staff.

DCR is working with the Public Service Commission to implement criminal record checks for employees involved in the administration and delivery of the social assistance program.

Transitional employment allowance payments

DCR needs to follow its processes to ensure that only eligible clients receive Transitional Employment Allowance (TEA) assistance and that they receive the correct amount of assistance.

In 2005, the Government passed the *Transitional Employment Regulations, 2005* to help move employable clients from the social assistance system into the workforce by providing assistance to them while participating in, or eligible to participate in, pre-employment programs and services.

In 2005-2006, DCR made over 38,000 payments for transitional employment assistance totalling $34 million.

DCR has rules and procedures for paying TEA clients. Clients tell DCR, usually by telephone, factors such as family composition and changes in employment, which affect the amount of money a client is eligible to receive.

The rules and procedures help to determine eligibility for payments by ensuring proper documentation has been submitted to DCR. They help ensure that DCR pays proper rates per the TEA regulations and policy manual. DCR uses documentation on board and room information, utilities costs, assets, and income to verify claims.

We found that 33% of client files did not have the proper documentation to ensure the clients were eligible and 16% of TEA payments had not been made at the proper rates.

1. **We recommend that the Department of Community Resources follow its processes to ensure that only eligible clients receive Transition Employment assistance and that they receive the correct amount of Transition Employment assistance.**

Employment supplement payments

DCR needs to strengthen its processes to ensure that only eligible persons receive Saskatchewan Employment Supplement (SES) assistance and that they receive the correct amount of assistance.

DCR gives money to lower income working parents or single parents who receive child support from the absent parent. This money helps to ensure that low-income parents (clients) are better off working than on social assistance. In 2005-2006, DCR paid $19 million to SES clients.

DCR has rules and procedures for paying SES clients. Clients tell DCR, usually by telephone, their employment income and family composition when they apply for SES money and monthly after that if there are any changes to their eligibility. Factors such as family composition and monthly income earned affect the amount of money a client is eligible to receive.

DCR regularly verifies a sample of SES payments to clients. DCR asks these clients to submit documents that support their employment income and family composition. If, after two written requests, a client does not submit the required documents, DCR stops making payments to the client.

For the year ended December 31, 2005, 18% of clients DCR tested did not provide written evidence to support their reported income. Accordingly, DCR stopped making assistance payments to these clients. As well, a further 15% of cases we examined revealed that errors resulting in overpayments had occurred.

As a result, DCR does not know that only eligible clients received SES payments. As well, DCR's processes are not adequate to ensure that eligible persons receive the correct amount of SES payments.

We also reported this matter last year. In October, 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive the correct amount of Saskatchewan Employment Supplement assistance.

Senior management told us they are reviewing the SES program to determine if any changes to policies or procedures are required.

Supervision of community-based organizations needs strengthening

DCR needs to strengthen its supervision of community-based organizations (CBOs).

DCR paid over $86 million to more than 300 CBOs that provide services for it. Programs provided by CBOs include group homes, services to enable people to live in their own homes (who otherwise could not), and early childhood, youth-at-risk intervention, and employment assistance programs.

We organize our findings on CBOs into three groupings:

- agreements with CBOs
- financial performance reports
- operational performance reports

Agreements with community-based organizations

DCR's agreements with CBOs need improvement.

DCR makes annual agreements with CBOs setting out DCR'S financial and compliance with the law objectives, DCR's right to verify reports received, and the basis of DCR's funding. The agreements need to set out more clearly the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from DCR). DCR is working with the CBOs to more clearly define the outcomes CBOs are expected to achieve.

The agreements require most CBOs (i.e., Community Living CBOs) to report periodically their assessments of the internal controls they have established to achieve DCR's objectives. The agreements allow DCR to assess whether the CBOs' controls are adequate.

DCR has made improvements to the agreements in recent years, but more improvement is needed. As a result of inadequate agreements, DCR does not know if the CBOs are achieving their objectives.

We also reported this matter in prior years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that DCR strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives and requiring CBOs to report periodically their assessment of the adequacy of processes to achieve their objectives.

Financial and operational performance reports

Financial reports

DCR needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis.

Service agreements require the CBOs to provide DCR with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates DCR is to receive the reports.

Many CBOs did not provide the required financial information on time. We examined CBOs that had received funding of at least $250,000 from DCR. We examined the CBOs' annual reports for the year ended March 31, 2005 and the CBOs' quarterly reports up to December 31, 2005. We found that 71% of the quarterly and 50% of the annual reports were submitted late or not at all.

DCR did not do timely reviews of the above noted CBOs' financial reports. Also, these CBOs' annual reports were not reviewed by DCR within six months of the CBOs' year-end. Late reviews of financial reports could result in DCR not taking timely corrective action.

Because DCR did not adequately follow its rules and procedures, it did not know on a timely basis if the money was used for the intended purposes.

Operational reports

DCR requires CBOs to submit annual reports describing their services and activities. However, it does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting its objectives. Therefore, DCR did not know if the CBOs are achieving DCR's operational objectives.

We continue to recommend that DCR ensure all CBOs submit timely performance reports to it as required by agreements. In January 1999, PAC agreed with our recommendation.

2. **We recommend the Department of Community Resources perform timely reviews on all the performance information submitted by the community-based organizations.**

3. **We recommend the Department of Community Resources work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving its operational objectives.**

DCR is working to strengthen its supervision of CBOs. DCR told us that, after the audit, it has:

- revised its service agreement to strengthen CBO accountability and will implement the new agreements for 2007-08
- developed and implemented a procedure manual for monitoring CBO standards
- provided staff education and training on analyzing financial information
- conducted an initial risk assessment of all CBOs receiving $100,000 or more, and will use this information to develop a standard risk assessment tool for use with all CBOs

In the past year, a CBO steering committee of senior DCR staff was formed to address the relationship and expectations DCR has with CBOs it uses to deliver services on its behalf. DCR told us that the steering committee plans to:

- develop a CBO policy framework to guide its work with CBOs
- develop requirements for a comprehensive database of CBO services available and used in the province as a tool for managing information on its CBOs
- review the service agreements, the CBO reporting guide, training for staff that monitor CBOs, and performance measures and targets for CBOs
- support groups of its CBOs to work together to develop comprehensive human resources plans

We will monitor the Committee's progress on its planned initiatives and report our findings in a future report.

Business continuity plan required

In previous reports, we recommended that DCR needs a written, tested, and approved business continuity plan[2] (BCP) to help ensure that it can continue to deliver its critical programs and services in the event of a disaster.

DCR has not yet completed all the phases of a BCP. We reported this matter in prior years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources complete a business continuity plan.

DCR is making progress. DCR has completed a business impact analysis that includes identifying and ranking mission critical functions. DCR has also made the required resources available to create and maintain the BCP. It recently hired a new director of Business Support Services to ensure the BCP is completed and implemented.

---

[2] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP) - Plans by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of a Business Continuity plan.

IT security needs strengthening

DCR needs to strengthen its security policies to ensure the confidentiality, integrity, and availability of information systems and data.

DCR needs sound security processes to protect data and systems. The processes should:

- be based on a threat and risk assessment
- identify who is responsible for the security of systems and data
- define how and when DCR will grant and remove an individual's access to systems to ensure that no one employee is able to both commit and conceal errors or fraud
- define how it will monitor compliance with security policies and procedures and address security weaknesses

DCR also needs to have a security awareness plan to reduce the risk that staff could unintentionally create security risks resulting in loss or disclosure of data. Awareness training would help ensure staff understand security policies, security risks, and privacy issues.

Management has not approved or implemented a comprehensive set of policies and procedures to protect the confidentiality, integrity, and availability of its systems and data.

We also reported this matter in prior years. In June 2005, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate security processes for its information systems.

DCR is in the process of evaluating an option to transfer control of IT systems and IT personnel to the Information Technology Office (ITO). DCR told us that it does not plan to change its IT policies and procedures until this evaluation is complete.

Human resource plan needs to improve

DCR needs to improve its human resource plan. Effective human resource planning helps DCR to have the right people, in the right jobs, at the right time.

DCR developed a human resource plan in 2005-06. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the organization's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

We found that DCR's human resource plan sets priorities and identifies key human resource risks. It explains the current human resources it has but does not quantify what it needs. Therefore, the plan only provides a broad description on the gap that exists between required and actual human resources. The plan does not indicate any major changes in the way business is to be carried out and therefore focuses on replacement of current staff as they leave the Department. The plan sets out strategies and broad action plans but does not give deadline dates. The strategies do not have measurable indicators and targets.

4. **We recommend that the Department of Community Resources' human resource plan:**

- **quantify its human resources needs**
- **provide details on the human resource gap between actual and required resources**
- **provide details on the action plans to implement major strategies**
- **provide measurable indicators and targets for all key strategies**

Hiring processes for employees needs strengthening

Our 2005 Report – Volume 1 describes how DCR needs to strengthen its hiring processes to safeguard public money. It also needs to bond or otherwise insure persons involved in the collection, receipt, disbursement, or expenditure of public money.

We also reported this matter in prior years. In June 2005, PAC agreed with our recommendations.

We continue to recommend that the Department of Community Resources assess if the standard blanket fidelity bond (insurance) coverage reduces its risk of loss of public money to an acceptable level.

We continue to recommend that the Department of Community Resources assess the risk of loss of public money by employees in positions of trust (i.e., responsible for the collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).

DCR told us that it is working with the Department of Finance and the government's bonding agent to assess the cost/benefit of increased bond coverage.

In September 2005, the Public Service Commission (PSC) announced that all employees responsible for the collection, receipt, disbursement, or expenditure of public money as well as all senior managers will require criminal record checks when hired and once every five years while employed. In a future audit, we will examine whether DCR has followed this new PSC policy.

Welfare to work—a follow-up

The Department of Community Resources' (DCR) mandate is to advance the well-being of Saskatchewan people by providing programs and assistance aimed at strengthening participation in the economic and social life of the Province.

One of the DCR's long-term goals is to improve the economic independence and self reliance of Saskatchewan people. In 2004, we assessed whether DCR had adequate processes to measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work.

We reported this matter in a prior year. In December 2005, PAC agreed with our recommendations.

This follow-up is part of our ongoing monitoring to determine what actions management has take to address our recommendations.

In 2006, the employment responsibility of the Department of Community Resources has been transferred to Advanced Education and Employment. This reorganization has impacted the development of the Welfare to Work evaluation framework. The two Departments will have to work together to determine their roles in welfare to work.

We organized this section in line with our recommendations. In each section, the recommendations are in italics and the findings are described below.

Define performance measures

We recommend that the Department of Community Resources select additional performance measures that directly assess its progress in moving people from welfare to work.

DCR is preparing a draft strategic plan for its Income Assistance Division (IAD) that sets out 15 preliminary measures. Several of these measures relate directly to the objective of moving people from welfare to work. Accordingly, if DCR approves this draft plan with these (or similar) performance measures, it will have implemented our recommendation.

We recommend that Department of Community Resources establish baseline results and targets for each measure.

In addition to the draft IAD strategic plan, DCR has developed a Service Catalogue that should help to link client outcomes, performance measures, and service standards to specific types of services. Once the outcomes and measures are set, DCR told us it expects to establish baseline results and targets for each measure. The Service Catalogue should facilitate interaction between the Department of Advanced Education and Employment and IAD as well as create a common foundation for the Departments to work from.

We recommend that the Department of Community Resources communicate to employees its measures, baseline results, and targets.

DCR is preparing the draft IAD strategic plan with the active participation of staff and management. DCR has also developed an intranet service, staff newsletter, and annual forum to share information with staff. As a result, DCR should have the necessary tools to communicate its measures, baseline results, and targets when established.

Obtain relevant and reliable information about welfare recipients

We recommend that the Department of Community Resources collect relevant and reliable information related to its performance measures.

DCR continues to gather data related to each type of service while it establishes performance measures and targets. In addition, DCR has enhanced its service agreements with Career and Employment community-based organizations (CBOs). The agreements require these CBOs to provide DCR with more detailed information on client outcomes. To know exactly what data to collect, DCR must first decide on its performance measures.

Analyze the information that is collected

We recommend that the Department of Community and Resources establish policies and procedures for evaluating data.

DCR has not yet set policies and procedures for data evaluation and analysis. However, it has introduced analyses into written reports for management. DCR told us it plans to enhance these reports when it introduces its new Welfare to Work performance measures.

Report progress in achieving targets to senior management

We recommend that the Department of Community Resources establish reports that show its progress in helping welfare recipients and others seeking financial assistance to find and keep work.

DCR has not yet established reports that show its progress in helping welfare recipients and others seeking financial assistance to find and keep work. Before DCR can develop reports to monitor its progress, it needs to implement the first five recommendations.

Summary

DCR's processes to measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work require strengthening. We continue to recommend that DCR implement all of our recommendations.

We recognize that implementing the recommendations is a long-term and complex process. We also recognize that the reorganization of responsibility for employment programs in 2006 will affect the continued development of the Welfare to Work evaluation framework. Because DCR's employment programs have been transferred to the Department of Advanced Education and Employment, DCR will need to have further discussions with that Department to determine the roles of each Department in welfare to work outcomes.

Oyate ataya WaKanyeja OwicaKiyapi Inc. —Special investigation

4B

Report to the
Standing Committee on Public Accounts

Regarding
Oyate ataya WaKanyeja OwicaKiyapi Inc.

June 2006

SASKATCHEWAN

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

June 22, 2006

Mr. Elwin Hermanson, Chair
Standing Committee on Public Accounts
Room 239, Legislative Building
REGINA, SK   S4S 0B3

Dear Mr. Hermanson:

I have the honour to submit my report on the special investigation of Oyate ataya Wakanyeja OwicaKiyapi Inc. as requested by the Standing Committee on Public Accounts on March 9, 2006.

Respectfully submitted,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Main points **157**

Introduction **159**

Background **160**

Our investigation objectives **162**

Our investigation conclusions and findings **163**

- Part I – Oyate investigation—findings 164
  - Control by Board of Directors needed 164
  - Service delivery needs improvement 167
  - Control over spending of public money needed 168
  - Control over personnel needed 169
    - Staff turnover 169
    - Hiring practices 170
    - Training 171
  - Compliance with the law and other authorities needed 171
    - *The Non-profit Corporations Act, 1995* 171
    - *The Residential Service Act* 172
    - Service agreement 172
- Part II – DCR investigation—findings 174
  - Department needs to follow its contracting processes 174
  - Department's oversight processes need strengthening 176
    - Annual service agreements 177
    - Financial and operational reports 179
  - Residential services policy and procedures manual needed 180
  - Corrective actions not adequate 181

Appendix A - Schedule of Revenue and Expenses for Operating Fund **182**

Appendix B - Schedule of Revenue and Expenses for Development Fund **183**

This page left blank intentionally.

Main points

Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate) is a safe house for children 12 to15 years of age who are victims of sexual exploitation 'on the street' or are at imminent risk of being sexually abused. Oyate is a community-based organization that provides services to children on behalf of the Department of Community Resources (DCR).

On March 9, 2006, the Standing Committee on Public Accounts asked our Office to carry out an immediate special investigation of the services, administration, and operations of Oyate including any allegations of wrong-doing.

In response to this request, we examined Oyate's oversight practices, control processes, and compliance with the law during the period March 26, 2003 to March 31, 2006. We also examined DCR's practices to supervise Oyate's activities for the same period.

Our investigation did not assess the standard of care received by the children at Oyate. The Children's Advocate of Saskatchewan is investigating the allegations concerning the safety and well-being of children residing at Oyate. The report of the Children's Advocate will describe the quality of care at Oyate and the responsibilities of the Minister of Community Resources for the children in his care. During our investigation, we worked cooperatively with, but independently of, the Children's Advocate.

Our investigation of Oyate showed that its Board of Directors (Board) did not set clear direction to management and staff of the safe house or adequately monitor the safe house's performance. The Board did not set goals or objectives for the safe house or policies and procedures for how to achieve planned results. As a result, safe house management and staff did not receive clear guidance on how to address the needs of the children in their care. The children's needs typically include food and shelter, safety from sexual exploitation, drug detoxification and other medical care, assistance to return to school, and reconnection with family and community. One consequence of the lack of adequate policies and procedures was that children often ran away from the safe house.

Oyate's practices were not adequate to safeguard money that Oyate received from DCR or to ensure it was used for the purposes intended by

DCR. Oyate did not comply with DCR's service agreement that required Oyate to plan and implement a program for each child to meet her/his individual needs.

We found that DCR did not use adequate practices to supervise Oyate's activities. DCR did not follow all of its established processes to select Oyate to operate a safe house for children. For example, it selected Oyate to deliver the services even though Oyate had no experience in the residential care of children.

Once the Oyate safe house opened, DCR did not do a risk assessment of Oyate to determine how closely it needed to supervise Oyate. Oyate is a high-risk agency and needs close supervision. First, its Board did not understand its roles and responsibilities and thus did not set clear direction or adequately monitor Oyate's performance. Second, Oyate did not have the capacity or the necessary skills to care for at-risk children. For example, Oyate often hired staff that did not have the required knowledge, skills, or abilities to care for sexually exploited children. Third, there have been several allegations of mismanagement and wrong-doing at Oyate. However, DCR did not closely supervise Oyate or take adequate corrective action when it became aware of the allegations.

Oyate and DCR announced on April 13, 2006 that the safe house has stopped accepting children until further notice.

Introduction

Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate) safe house was established in 2003. The safe house is a group home that operates as a transitional shelter for children 12 to15 years of age who are victims of sexual exploitation 'on the street' or are at imminent risk of being sexually abused.

Oyate is a community-based organization (CBO) that provides services on behalf of the Department of Community Resources (DCR). Oyate received $1,064,000 from DCR during the period March 26, 2003 to March 31, 2006. DCR initially paid Oyate $136,000 to develop a program specific to the needs of sexually exploited children. DCR also paid Oyate operational funding of $928,000 over three years to deliver that program. In addition, Saskatchewan Housing Corporation paid Oyate a grant of $345,000 in the form of a forgivable loan for a new safe house. Appendices A and B, at the end of this report, show Oyate's total spending on operations by year.

Oyate is incorporated as a member corporation under *The Non-profit Corporations Act, 1995.* Oyate is not a Crown agency as defined in *The Provincial Auditor Act*, and accordingly is not subject to an audit by our Office. We accepted a special assignment to investigate Oyate as requested by the Standing Committee on Public Accounts (Public Accounts Committee).

On March 9, 2006, the Public Accounts Committee asked our Office to carry out an immediate special investigation of the services, administration, and operations of Oyate including any allegations of wrong-doing. The allegations were that the staff at Oyate failed to follow procedures designed to protect children in their care; that DCR was aware of the concerns; and that DCR failed in its obligation to ensure that the home was providing adequate care[1].

We agreed to do the investigation. We examined DCR's practices to supervise Oyate's activities and examined Oyate's oversight practices, control processes, and compliance with the law. Our report does not cover the standard of care received by the children at Oyate. We worked cooperatively with, but independently of, the Children's Advocate of

---

[1] CBC-TV, SASK., February 28, 2006

Saskatchewan. The Children's Advocate is investigating the allegations concerning the safety and well-being of children residing at Oyate. The Children's Advocate report will describe the quality of care at Oyate and the responsibilities of the Minister to the children in his care.

Background

The Legislative Assembly appoints legislative committees to deal with specific matters or inquiries and report their findings and recommendations to the Legislative Assembly. In December 1999, the Legislative Assembly created a Special Committee to inquire into the abuse and exploitation of children through the sex trade.

The Special Committee determined that the problem of sexually exploited children has been growing in Saskatchewan. The Committee estimated that as many as 200 children under the age of 18 are 'working the streets' in Regina and Saskatoon. The Minister of Community Resources owes a duty to children who are at-risk and unable to be adequately protected by their parents or guardians. The Minister has the responsibility to intervene, can apprehend these children as wards of the Crown, and act as parent with the rights and obligations of a parent. The Minister's duty includes providing shelter and ensuring the safety and well-being of the children.

The Special Committee produced a report in June 2001 called the Final Report of *The Special Committee to Prevent the Abuse and Exploitation of Children Through the Sex Trade*[2]. This report made 49 recommendations. One of the recommendations states that 'every child who is on the street and at-risk of sexual abuse or suffering sexual abuse should be guaranteed the right to services in a timely and coordinated way including a safe place to stay, medical care, addictions treatment, counselling for abuse, help in making the return to school, and lending assistance to children to make effective steps towards a full recovery.'

The report recommended both an involuntary and a voluntary safe house in the Regina region. The proposed purpose of the involuntary safe house was to place children into mandatory protective care for up to 21 days. After that period, the children would be transferred to a voluntary safe house or recovery home. The Government did not implement the involuntary safe house recommendation.

---

[2] Copy available at http://www.legassembly.sk.ca/committees/Archive/aecc/Docs/final%20report.pdf

The Committee recommended that culturally appropriate recovery homes be established throughout the Province and staffed by specially trained personnel. The Committee also recommended that the Regina region voluntary safe house be established in partnership with the Tribal Councils around Regina.

The above recommendations led to the establishment of a safe house for the Regina region. A safe house is meant to be a refuge for victims of sexual exploitation and provides a transitional residential home for temporary placement (1 – 2 months) of the children so they may be sheltered from the street, stabilized, detoxified (if required) and to enable time to plan a positive reunification with their community. DCR contracted with Oyate for a safe house[3].

A safe house is a voluntary, non-secure facility. The children are to be encouraged to stay, but cannot be forcibly kept in the facility. All DCR residential group homes are voluntary facilities, including Oyate. The Department of Corrections and Public Safety operates secure facilities for youth convicted of criminal activity. The Department of Health operates secure facilities for youth needing addictions detoxification.

Oyate provides five spaces for sexually exploited children. Initially, Oyate delivered services out of a rented house located in Regina. In 2004, a permanent site on the outskirts of the city for the new safe house was finalized through an arrangement with the Cowessess First Nation. Construction of the new safe house was completed in October 2005.

Oyate received capital funding from Human Resources and Skills Development Canada for $450,000 and a grant in the form of a forgivable loan from Saskatchewan Housing Corporation for $345,000. The terms of the loan include Saskatchewan Housing Corporation forgiving the principal over a 15-year period providing Oyate is not in default. If in default, principal and interest are repayable. Default occurs if Oyate ceases to provide shelter to victims of violence. A mortgage was written as security for this loan.

---

[3] Originally, DCR contracted with the Regina Treaty/Status Indian Services Inc. (RT/SIS) for this service until Oyate could be incorporated. RT/SIS and Oyate are organizations owned by the First Nations of the Touchwood Agency and the File Hills Qu'Appelle Tribal Councils described later. On May 29, 2003, Oyate was incorporated. For the purposes of this report, we refer to the safe house operation as Oyate.

During 2003 to 2005, DCR received allegations of inappropriate care of the children, a sexual assault on a child, unfair labour practices, and misuse of public money at Oyate. In March 2006, a Member of the Legislative Assembly asked the Public Accounts Committee to investigate the alleged mismanagement taking place at Oyate.

Oyate and DCR announced on April 13, 2006 that the safe house had stopped accepting children until further notice.

Our investigation objectives

On March 9, 2006, the Public Accounts Committee asked our Office to do a special assignment to investigate the services, administration, and operations of Oyate including any allegations of wrong-doing.

For the period March 26, 2003 to March 31, 2006, we assessed:

- the Oyate Board of Directors' practices to oversee the operations of Oyate
- management's practices to safeguard money it received from DCR and to ensure it was used for the purposes intended by DCR
- management's compliance with governing legislation, the service agreement, and the policies of the Board of Directors and DCR

For the same period, we also assessed whether DCR used adequate practices to supervise Oyate's activities to ensure that Oyate:

- complied with its service agreement with DCR
- safeguarded the money it received from DCR
- used the money only for purposes intended by DCR

The service agreement is important because it describes the standard of care that DCR expects Oyate to deliver to at-risk children.

We also considered if DCR took prompt and appropriate action to remedy any significant problems it knew, or should have known, about Oyate's operations.

Our investigation conclusions and findings

For the period March 26, 2003 to March 31, 2006:

- **the Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate) Board of Directors did not have adequate processes to oversee the operations of Oyate**
- **Oyate's management did not have adequate processes to safeguard the money it received from DCR and to ensure it was used for the purposes intended by DCR**
- **Oyate did not adequately comply with governing legislation, the service agreements with DCR, or policies of the Board of Directors and DCR**
- **DCR did not use adequate practices to supervise Oyate's activities to ensure that Oyate:**
  - **complied with its service agreement with DCR**
  - **safeguarded the money it received from DCR**
  - **used the money only for purposes intended by DCR**
- **DCR did not consistently take prompt and appropriate action to remedy significant problems it knew, or should have known, about Oyate's operations**

We describe the results of our special investigation in two parts. The first part covers Oyate's performance. The second part describes DCR's supervision of Oyate.

Part I – Oyate investigation—findings

Control by Board of Directors needed

Oyate is incorporated as a member corporation under *The Non-profit Corporations Act, 1995.* The First Nations of the Touchwood Agency and the File Hills Qu'Appelle Tribal Councils[4] own and control Oyate. Oyate's Board must follow the legislative requirements of *The Non-profit Corporations Act, 1995* and the bylaws set by the Tribal Councils that own Oyate.

A board of seven directors (Board), elected by the member First Nations, governs Oyate.

A board is a key element of control in managing the business of an organization. A board sets the corporate culture for the organization. It defines acceptable behaviour of board members and staff by setting a code of conduct and defining conflicts of interest. A board provides independent oversight on the conduct of business and monitors management's performance in achieving the organization's objectives. Through planning and overseeing business, a board ensures the effective and efficient delivery of services.

Board minutes are the recorded evidence of all Board decisions. Oyate's bylaws require it to keep minutes of all resolutions of board meetings. The bylaws also state that minutes are to be adopted by the Board as true, and signed by the Board Chair. Oyate could not provide us with a complete set of minutes for all Board meetings. Where board minutes existed, the Board did not adopt them at the next meeting and the Board Chair did not sign them as being the official record of the meeting. As a result, the Board does not have a complete record of its decisions. According to the minutes, the Board rarely made decisions. The minutes simply note that board members discussed various motions and other issues.

---

[4] Members of Oyate consist of the member First Nations of the Touchwood Agency and File Hills Qu'Appelle Tribal Councils being the following First Nations: Day Star First Nation, Fishing Lake First Nation, Gordon First Nation, Kawacatoose First Nation, Muskowekwan First Nation, Carry the Kettle First Nation, Little Black Bear First Nation, Muscowpetung First Nation, Nekaneet First Nation, Okanese First Nation, Pasqua First Nation, Peepeeksis First Nation, Piapot First Nation, Standing Buffalo First Nation, Star Blanket Cree Nation, and Wood Mountain First Nation.

The Board does not have a code of conduct policy governing Board members. The Board has a conflict of interest policy governing Board members in its bylaws. Such policies help to ensure that the behaviour of Board members are guided by the principles of integrity, objectivity, and accountability. We found no evidence that the Board monitored compliance with the conflict of interest policy. Several allegations related to interference by a board member in the day-to-day operations of the safe house.

Agencies that receive public money have a special duty to spend that money with due care. DCR makes an annual service agreement with Oyate to provide services to sexually exploited children. The agreement sets out DCR's service expectations including a detailed budget. These services address the safety, developmental, educational, medical, cultural, and family needs of the children while they reside at Oyate.

Oyate's Board had inadequate processes to oversee Oyate and to meet the service agreement requirements. Oyate's Board did not approve written policies setting out:

- the scope of the Board's authority and responsibilities
- the Board's directives to, or performance standards for, the Safe House Director

Oyate had a strategic plan but the Board did not approve it.

The Board also did not establish written standards and procedures to ensure that Oyate delivered services consistently to meet the needs of sexually exploited children. DCR expected Oyate to base its services on a knowledge of behaviour management strategies, and knowledge of childhood sexual abuse, addictions, and family-centered case management principles. Without adequate guidance from the Board, Oyate managers were not consistent in their delivery of service to the children or their expectations of staff performance.

To implement DCR's program expectations, the Board needs to translate its strategic plan into program standards and procedures to guide delivery of services to meet the goals and objectives. As neither an approved strategic plan nor a formal program were in place, the Board did not set direction for Oyate (i.e., goals, objectives) or decide how to assess management's progress in achieving the Board's objectives (i.e., performance measures and targets).

DCR told us its practice is to provide guidance to boards of agencies. We found no evidence that Board members received formal training to ensure they understood their roles and responsibilities and were effective in directing Oyate. In addition, the Board did not periodically assess its own performance or that of its Safe House Director.

1. **We recommend that the Board of Directors of Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate Board) maintain a complete and approved set of minutes of all Board meetings.**

2. **We recommend that the Oyate Board adopt a code of conduct policy that is consistent with *The Non-profit Corporations Act*, and monitor compliance.**

3. **We recommend that the Oyate Board monitor board members' compliance with the conflict of interest policy.**

4. **We recommend that the Oyate Board define the scope of its authority and responsibilities.**

5. **We recommend that the Oyate Board define the authority, responsibilities, and performance standards for the Safe House Director.**

6. **We recommend that the Oyate Board approve a strategic plan for Oyate ataya WaKanyeja OwicaKiyapi Inc.**

7. **We recommend that the Oyate Board establish standards and procedures to guide the delivery of services to sexually exploited children.**

8. **We recommend that the Oyate Board provide governance training for its members.**

9. **We recommend that the Oyate Board periodically assess the performance of the Safe House Director.**

The lack of Board controls described above contributed to the following mismanagement of public money.

Service delivery needs improvement

Oyate received $928,000 since it began operations to deliver services for DCR in 2003. The potential existed for Oyate to deliver over 5,000 service days[5] to the client group. Oyate delivered approximately 2,100 service days or 41% of its capacity. We understand that residential service facilities seldom operate at full capacity, but the provision of services at Oyate is considerably less than at other residential programs. DCR told us that the average occupancy rate at other residential programs is between 85% and 90%.

Oyate has provided services to 47 children since it opened. Oyate has records of providing approximately 2,100 service days to these 47 children. Neither Oyate nor DCR could provide us with the discharge date for eight of these children, so we are unable to determine the exact number of service days delivered. However, Oyate's management told us that in some of these cases, the children 'ran away' the next day, therefore formal case records were not kept.

Eligible children are those who are sexually exploited or at risk of being sexually exploited and are 12 to 15 years of age. Oyate and DCR told us that 12 to 15 year olds should be segregated from the 16 and 17 year olds to reduce their risk of being exploited by the older children. In addition, children 12 to 15 years old who are not at risk of sexual exploitation should not be placed in the safe house to avoid the risk of learning high-risk behaviours.

However, records indicated that children who were not sexually exploited or at risk of being sexually exploited were receiving services. Also, children were there who were over 15 years of age. Of the recorded days of service delivered, Oyate served the eligible client group approximately 1,600 days[6], or at 31% of its capacity.

DCR and Oyate's management told us that children placed in Oyate 'ran away' much more frequently than from other residential programs for youth in Saskatchewan. Oyate's former Safe House Directors and DCR staff told us that Oyate did not follow standards and procedures commonly used by other residential programs to discourage children from leaving the safe house without permission.

---

[5] Calculated as 5 beds x 365 days/year x 2 years and 10 months = 5,170 potential service days
[6] 2,112 service days – 505 days to ineligible clients = 1,607 eligible days/ 5,170 potential days

10. We recommend that Oyate accept only children who are eligible to receive its services.

11. We recommend that Oyate establish adequate processes to reduce the risk that children run away from the safe house.

Control over spending of public money needed

Funding agencies specified the purpose of grants given to Oyate. For example, DCR set detailed budgets for each grant given. Oyate maintains six separate records to account for its spending:

- Building Capital Fund – to account for the construction of the new safe house (opened in November, 2005)
- Development Fund – to account for the start-up costs of the new program
- Operating Fund – to account for the day-to-day operations of the safe house
- Three other funds – to account for approximately $60,000 in Federal grants to provide culturally appropriate services such as talking/healing circles, community initiatives, and elder programs. We did not investigate programs funded with federal grants.

Most boards of directors maintain control of major spending, such as capital purchases or commitments for services, by limiting the spending authority of their management. Our review of the minutes did not indicate Board approval for major expenditures, e.g., contracts.

Oyate received $136,000 as a 'start-up' grant from DCR in March 2003 to develop programming for specialized services for the client group. DCR told us it expected Oyate to use the grant for recruiting, training staff, and to develop a program and community partnerships. Appendix B shows the budget and spending from this development fund. Oyate has spent $100,000 of this money at March 31, 2006. We found no evidence that Oyate developed a program designed for children in its care. We found no evidence that Oyate has built community partnerships.

Oyate paid more than $10,000 ($1,800 from the operating fund and $8,250 from the development fund) for Board honorariums even though

DCR's service agreements do not allow Oyate to pay honorariums. Also, Oyate's bylaws do not allow board members to be paid for their services. The honorariums were similar to amounts paid by government agencies for board honorariums.

Oyate paid $6,000 (recorded as a purchased service) to a contract employee to develop a personnel-scheduling system. Oyate spent a further $3,200 in ancillary expenses for this contract employee to attend computer training and for travel expenses. Oyate could not provide us with evidence that this $9,200 in spending resulted in a functional personnel-scheduling system. Oyate paid a further $7,600 for consulting to various contractors. We could not determine what services the contractors provided.

We found several instances where expenses were incorrectly accounted for. Oyate recorded $9,900 of salary expense incorrectly as food and camp expenses in the development fund. Oyate recorded $10,000 of capital expenditures incorrectly as purchased services paid from the development fund instead of the building capital fund. Errors such as these make it difficult for an organization to ensure it is spending within budget.

12. **We recommend that Oyate properly account for its expenses in accordance with its service agreement with the Department of Community Resources.**

Control over personnel needed

Oyate did not have an adequate system to monitor time worked by employees at the safe house. The Safe House Director did not consistently approve weekly time sheets. This may have contributed to the salary and benefits expense being greater than budgeted expenses in 2004-05 and 2005-06 as described later in this report.

Staff turnover

Over the last three years, Oyate employed four permanent Safe House Directors and three temporary Safe House Directors to manage Oyate. The longest term of a permanent Safe House Director was fourteen months. Most stayed less than six months.

Although Oyate operates with only six full-time staff, it has employed about 60 staff since 2003 (two employed continuously since it began operations). High staff turnover may be the result of staff conflicts as alleged by former employees[7]. The turnover may also be due, in part, to the lower salaries at community-based organizations (such as Oyate) than those salaries paid by DCR to employees of Department-owned residential programs (such as Dale's House and Eden House). The Government has an initiative to improve the pay scales in community-based organizations to help address this issue.

Without a stable work force, it is difficult to deliver quality services.

Hiring practices

Oyate staff are employees of the File Hills Qu'Appelle Tribal Council (FHQTC) and are governed by the FHQTC Personnel Regulations, March 24, 2005 (policy manual). The policy manual states that any person who is an immediate or extended family member of an existing employee and who is hired in a permanent or temporary position, or contracted, shall not be placed in a direct supervisor-subordinate relationship with that existing employee. We are aware that several employees at Oyate were relatives of people in supervisory roles.

The policy manual requires that where an applicant for a position is a relative of a member of the selection committee, the member of the committee shall excuse him/her self from any decision-making process. We understand that several employees and contracted staff were relatives of Board members. As the Board minutes provided to us were incomplete, we were unable to determine if members of the selection committee appropriately excused themselves from the decision-making process.

Hiring of relatives is not in itself inappropriate. However, it can give the perception of inappropriateness if not done correctly. Several of the allegations of wrong-doing related to hiring and preferential treatment of relatives.

13. We recommend that the Oyate Board follow its hiring policies.

---

[7] CBC-TV, SASK. February 28, 2006

Training

DCR has given repetitive training over three years to Oyate staff in residential services, crisis intervention, and suicide prevention. We are unable to determine how much this training has cost DCR (provision of training services), or for the payment of wages to Oyate employees receiving the training (Oyate does not classify training costs separately from other salary expenses). Oyate does not require support staff to have educational qualifications. So, staff do not necessarily have knowledge of basic residential care standards and procedures, such as client needs assessments or intake practices. As a result, support staff must receive training on these basic principles.

We also understand that Oyate needed to develop a training program to help ensure employees are knowledgeable in the specialized services needed for its clients. Programming to deal with the needs of sexually exploited children who frequently have difficult behavioural issues, addictions, and severe medical conditions requires specialized training. Oyate told us that this training program is still under development.

DCR told us it has given more training to Oyate staff than any other community-based organization providing residential services. The repetitive training may be due to the high turnover of employees.

Compliance with the law and other authorities needed

Oyate is governed by *The Non-profit Corporations Act, 1995*, its founding legislation, *The Residential Services Act*, which sets the standards for group homes, and the annual service agreements with DCR.

The Non-profit Corporations Act, 1995

The Non-profit Corporations Act, 1995, Oyate's bylaws, and the service agreements with DCR all require that Oyate annually present audited financial statements, including a statement of financial position (i.e., what it owns and owes) and a statement of revenues and expenses to its members, the Corporations Branch at the Department of Justice, and DCR. Each year, Oyate only provided an audited statement of revenues and expenses (see Appendix A). In this regard, it did not comply with the law, its bylaws, or the service agreements.

As described earlier, Oyate did not keep minutes as required by *The Non-profit Corporations Act*.

The Residential Service Act

The Residential Service Act requires community-based organizations to obtain a license from DCR in order to run a group home. Licensing requirements cover areas such as physical condition (fire and public health inspections) and insurance requirements. Oyate complied with all licensing requirements.

Service agreement

The adequacy of care of children and case planning for the recovery of children expected under the service agreement with DCR will be addressed by the Children's Advocate in his report. We report Oyate did not comply with the annual service agreement in the following areas.

The agreement requires Oyate to hold an admission conference and follow-up formal case planning conference for each child admitted to the safe house. The conferences are to include the child, the safe house supervisor (or designate), the DCR or First Nations Child and Family Services caseworker, and the parent(s)/guardian(s). The agreement states that the conferences have two purposes:

- to review the child's circumstances and needs, set child-focused and family-centred case planning goals and plans, and to consider discharge resource options for the child
- to review six weeks after admission, the child's progress and developmental needs, review case planning goals, and discuss future family-centred service and resource needs

In many cases, Oyate files did not contain documented evidence that it held the admission conferences. Many of the files also did not contain evidence of the follow-up conference for those children who stayed longer than six weeks. Oyate showed us activity planning for the children such as school attendance, doctor's appointments, and healing circles.

The service agreement also requires Oyate to establish appropriate legal status for care under *The Child and Family Services Act* or have parental agreement for each child staying at Oyate. This requirement ensures that Oyate has the legal right to provide residential services to the child. Oyate did not adequately document each child's legal status. As a result, we do not know if Oyate had the legal right to provide services to all of the children that stayed at Oyate.

The annual service agreement also sets out the financial and operational monitoring reports Oyate was to provide to DCR. These reports include monthly statistical reports on children served, quarterly income and expenditure reports, and an annual audited financial statement.

As described in Part II of this report, Oyate did not meet these reporting requirements. Reports were often late and contained insufficient information to allow DCR to assess if Oyate was complying with the agreement.

As described earlier, Oyate paid honorariums to Board members even though its bylaws and the service agreements prohibit these payments.

The service agreement sets the budget amounts for salary and non-salary expenses and does not allow Oyate to spend more than the budgeted salary amount on staffing. Appendix A shows that spending on salaries and benefits was greater than budget for 2004-05 and 2005-06 by almost $34,000.

14. **We recommend that the Oyate Board comply with its service agreement with the Department of Community Resources (DCR) including:**

    - **documenting admission and follow-up conferences for each child in its care**
    - **documenting permission to provide services from DCR or parents/guardians**
    - **providing annual audited financial statements**
    - **providing other required financial and operational reports**

15. **We recommend that Oyate spend public money only for purposes intended by the Department of Community Resources.**

Part II – DCR investigation—findings

This part of our report describes DCR's supervision of Oyate.

As described earlier, the second objective of our investigation was to determine whether, for the period March 26, 2003 to March 31, 2006, DCR had adequate practices to supervise Oyate's activities to ensure that Oyate:

- complied with its service agreement with DCR
- safeguarded the money it received from DCR
- used the money only for the purposes intended by DCR

We also examined DCR's processes to award contracts for new services. We also assessed if DCR took prompt and appropriate action to remedy any significant problems it knew, or should have known, about Oyate's operations during the above noted period.

DCR places at-risk children who are unable to be adequately cared for by their parent(s)/guardian(s) in residential care when suitable alternative care is not available. It uses 11 group homes in the province including Oyate. These facilities provide 73 spaces for children under 16. There are a further 124 spaces in specialized service homes. DCR told us there is a chronic shortage of residential care spaces in the province.

DCR gave money to Oyate to provide transitional residential care spaces for sexually exploited at-risk children in Regina. Oyate's facility is meant to house five at-risk children. DCR told us that in response to its concerns about the quality of care Oyate could provide, DCR has not fully used Oyate's capacity. (As reported earlier, Oyate operates at approximately 41% of its capacity).

Department needs to follow its contracting processes

DCR has a process to ensure that it makes service agreements with community-based organizations (CBOs) that have the capacity to deliver the required services. When DCR decides there is a need for a new program, such as the specialized residential program to address the needs of sexually exploited children, it uses a 'request for proposal' (RFP) process to select a CBO to deliver the service. The process consists of planning (needs and objectives), solicitation (expressions of interest), award (decision), implementation and evaluation (monitoring performance).

DCR defines the needs and expected outcomes of the program, then asks for expressions of interest from the community. It determines which interested CBOs meet the minimum selection criteria, then issues an RFP to those CBOs. The RFP requires the CBOs to submit proposals outlining their capacity (facility, equipment and resources), skills (human resources), processes, and practices for the delivery of the required service.

The RFP also requires the CBOs to outline their processes for recording, reporting, and maintaining statistical information and confidential data, and collecting and providing financial information. Based on the proposals received, which are assessed against known rating criteria, DCR awards the contract. In some cases, DCR uses a selection (or steering) committee to assess the proposals received. DCR is required to document the basis for its award decision. DCR is required to monitor performance. DCR's processes to select CBOs are reasonable.

DCR's RFP for the safe house was adequate in describing the needs and expected outcomes of the program and contained the key selection criteria. DCR received proposals from two CBOs and awarded the contract to the Regina Treaty/Status Indian Services (RT/SIS).

We examined the RT/SIS proposal and concluded it did not adequately respond to the key selection criteria set out in the RFP. For example, an important criterion for selection was experience in the delivery of residential care to children and youth. RT/SIS's proposal did not describe any experience in the residential care of children.

Another criterion was the inclusion of cultural values and traditional principles of treatment and healing for delivering services. RT/SIS's proposal for this component was based on the First Nations *Sacred Way of Life* holistic healing model. DCR could not explain what this model entails. Oyate board members could not describe the nature and purpose of this model to us. During operations, Oyate did offer cultural healing circles to the children in its care.

Other criteria include knowledge of effective behaviour management strategies and knowledge of childhood sexual abuse, addictions, and family-centered case management principles. RT/SIS's proposal did not describe its knowledge of any of these significant issues relating to the specific client group of sexually exploited children.

The RT/SIS proposal does address the requirement for a connection with First Nations communities and First Nations Child and Family service agencies, and the requirement for a working relationship with other human service agencies in Regina.

We asked for DCR's assessment of the two proposals it received. DCR was unable to provide us with adequate documentation of its assessments or the basis for awarding the contract to RT/SIS. As a result, we could not tell if DCR adequately assessed RT/SIS's capacity and skills to care for at-risk children. DCR provided us with a report called the Joint Briefing to Saskatchewan Social Services (DCR's former name) and the Federation of Saskatchewan Indian Nations. The Briefing announced the awarding of the contract to RT/SIS based on a "superior program proposal exceptionally strong in the areas of delivering culturally based care and counselling to victims of sexual abuse."

The member Tribal Councils, as described earlier own RT/SIS. They later created Oyate to deliver the safe house services.

16. **We recommend that the Department of Community Resources follow its processes and document its basis for awarding contracts for services to community-based organizations.**

Department's oversight processes need strengthening

DCR needs to strengthen its oversight processes to ensure that CBOs such as Oyate comply with DCR's service agreements, safeguard the money they receive from DCR, and use the money only for the purposes intended by DCR.

We expected DCR to have processes to keep informed about CBOs' operations including any significant problems. DCR should base its processes on a risk assessment of each CBO. CBOs that have difficulty delivering the contracted services, sustaining operations within budget, or complying with their governing laws and regulations should be considered as high-risk by DCR.

- High-risk CBOs require stronger supervision. For high-risk CBOs, such as Oyate, DCR should do regular inspections of their operations and attend boards of directors' meetings.

DCR makes agreements with all CBOs that provide services on its behalf. DCR uses these agreements to help it direct and supervise the agencies and to keep informed of any problems.

Next, we describe how DCR's agreements with Oyate and other CBOs are not adequate for that purpose.

Annual service agreements

DCR spends $20 million annually for 153 contracted agencies to provide child and family services on its behalf including six residential care homes in the Regina area. DCR provides some of its residential services to at-risk children in Regina directly through Department-owned group homes such as Dale's House and Eden House. It also funds specialized services in homes such as Ranch Erhlo.

To achieve its objectives, DCR must ensure that all CBOs work towards DCR's objectives. To do this, DCR needs to supervise the performance of these agencies.

DCR makes annual agreements with the CBOs (including Oyate). The agreements authorize spending limits on specific kinds of expenses (e.g., salaries, rent) on a line-by-line basis. Appendix A shows the authorized spending limits (budget) for Oyate for the period March 26, 2003 to March 31, 2006.

The agreements with CBOs need improvement to help ensure that the CBOs achieve DCR's objectives. DCR should vary the content of its agreements based on a risk assessment.

Adequate service agreements have the following key elements:

- set out clearly DCR's financial, operational, and compliance with the law objectives
- require the CBOs to report periodically to DCR their assessments of the controls they have established to achieve DCR's financial, operational, and compliance with the law objectives

- require the CBOs to report to DCR periodically on their progress in achieving DCR's objectives
- give DCR access to the CBOs' staff and records; and allow DCR, or require an independent auditor, to verify the CBOs' reports
- describe how DCR will provide money to the CBOs

DCR's agreements with Oyate and other CBOs delivering child and family services contained the key elements described above, except they did not:

- set out DCR's operating objectives or performance measures
- require CBOs to report periodically to DCR their assessments of the controls they have established to achieve DCR's financial, operational, and compliance with the law objectives

We have reported this matter in previous reports to the Legislative Assembly. In September 2004, the Public Accounts Committee agreed with our recommendation that the agreements with CBOs such as Oyate contain the elements described above.

DCR does not do a risk assessment on CBOs to determine which CBOs it should monitor more closely. As a result, it had not determined that Oyate needed close supervision. DCR did not regularly inspect or evaluate Oyate's programs. In addition, DCR did not attend the board of directors' meetings. Attending Oyate's board meetings could have helped DCR to understand the lack of governance processes and the failure to provide the expected services.

Without adequate processes to keep informed of all significant problems at Oyate, DCR did not know if Oyate was meeting DCR's objectives. In addition, DCR did not know if Oyate safeguarded the money it received from DCR and used it only for the purposes DCR intended.

17. **We recommend that the Department of Community Resources strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:**

- **doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance**
- **identifying objectives, performance measures, and targets for each CBO**
- **reviewing each CBO's performance reports routinely**
- **carrying out regular on-site assessments of high-risk CBOs**
- **attending board of director's meetings of high-risk CBOs**

Financial and operational reports

DCR needs to ensure that it receives and reviews financial and operational performance reports from CBOs on a timely basis. The service agreements require quarterly financial and operational reports 30 days after each quarter, as well as an annual report including audited financial statements.

Oyate has not given DCR any annual audited financial statements. Instead, each year it gave DCR an audited schedule of revenues and expenses (see Appendix A). Oyate's external auditors' reports provide assurance that Oyate's schedules are reliable. However, without information on the financial position of Oyate (i.e., what it owns and owes) or information on its cash flows (i.e., its sources and uses of cash), DCR is not able to tell if Oyate is in a sustainable position to continue to deliver services.

DCR attempted to collect this information including sending registered letters to the Board Chair.

Oyate was often not timely in giving DCR quarterly financial information. Quarterly information allows DCR to regularly assess Oyate's performance and ensure money is spent for the purposes intended.

Oyate often did not give DCR monthly operational performance information. For example, the service agreement required Oyate to give DCR monthly statistical information on the client population in the safe house. This information is valuable to DCR to ensure the safe house's capacity is used effectively and the children staying in the home are eligible to receive services.

As described earlier, the service agreement does not set out DCR's operating objectives, performance measures, or expected reporting on progress towards these objectives. However, it does allow DCR to request information necessary to determine if the agency is complying with the terms and conditions of the agreement.

We expected DCR to request performance reports that included key information on recommendations of the Special Committee to Prevent the Abuse and Exploitation of Children through the Sex Trade. The Committee recommended that services should be delivered in a timely and coordinated way including a safe place to stay, medical care, addictions treatment, counselling for abuse, help in making the return to school, and lending assistance to children to make effective steps towards a full recovery. We expected that DCR would ask for information on these key successes of the program.

We did not see evidence that DCR asked for any information of this type. Oyate could not show us evidence that it collected information on its success rates, i.e., number of children returned to a safe and healthy environment.

Residential services policy and procedures manual needed

DCR provides residential services to children in the care of the Minister in 11 group homes in the province. DCR does not have an approved residential services manual that sets out the policies and procedures defining the standards of care to be delivered to children in the care of the Minister while in a group home.

Without clearly defined standards, it is difficult to ensure that CBOs are delivering adequate and equitable services. Approved policies and procedures provide for the orderly and efficient delivery of services. They reinforce the Minister's delegation of authority to group home workers delivering services on the Minister's behalf.

DCR told us that it has prepared a draft residential services manual of policies and procedures. It notes that it has distributed the draft manual to all residential service CBOs in April 2006 for their evaluation.

18. **We recommend that the Department of Community Resources approve policies and procedures for delivering services in a residential setting.**

Corrective actions not adequate

As described earlier, we assessed whether DCR took prompt action to remedy problems it became aware of from March 26, 2003 to March 31, 2006. DCR did not always take appropriate action to remedy those concerns.

DCR gave us numerous examples of 'issue papers' that described problems it was aware of at Oyate since November 2003. For example, these issue papers describe quality of care concerns at Oyate, questionable personnel practices, excessive training, resistance by Oyate to offers of support and training by DCR, and the absence of governance processes. DCR was unable to show us who at DCR received these papers, what corrective actions were proposed, and what, if any, remedies DCR took when Oyate did not correct the problems.

DCR told us its intervention was to limit or suspend placement of children at Oyate and to provide or offer to provide Oyate's staff with more training. As reported earlier, even when DCR limited or suspended placements, it continued to fully fund Oyate.

19. **We recommend that the Department of Community Resources improve its processes to remedy any significant problems at community-based organizations (CBOs). These processes should include procedures to:**

    - **clearly define the problem**
    - **provide options for corrective action**
    - **promptly inform the CBO and the Deputy Minister, in writing, of the problem and corrective action required**
    - **give the CBO a deadline for fixing the problem**
    - **set predetermined remedies if the CBO does not fix the problem promptly**

20. **We recommend that the Department of Community Resources ensure Oyate ataya WaKanyeja OwicaKiyapi Inc. implements recommendations 1 – 15 of this report.**

Appendix A

Schedule of Revenue and Expenses for Operating Fund Years Ended March 31, 2004 to 2006

	2004		2005		2006		3 year Total
	Budget[1]	Actual[2]	Budget[1]	Actual[2]	Budget[1]	Actual[2]	Actual
Revenue							
Grants - DCR	$ 304,340	$ 306,400	$ 307,820	$ 307,820	$ 310,900	$ 313,490	$ 927,710
Miscellaneous	-	3,150	-	1,000	-	925	5,075
Total revenue	304,340	309,550	307,820	308,820	310,900	314,415	932,785
Expenditures							
Personnel expenses:							
Board honorarium	-	200	-	-	-	1,600	1,800
Salaries and benefits	238,420	231,745	240,870	252,964	240,870	262,735	747,444
Total personnel expenses	238,420	231,945	240,870	252,964	240,870	264,335	749,244
Operating expenses:							
Building occupancy	21,860	20,930	21,860	20,649	21,860	22,889	64,468
Food supplies	10,950	12,322	10,950	11,339	10,950	12,771	36,432
Housekeeping	8,135	-	8,135	-	8,140	-	-
Medical supplies	200	-	200	-	200	-	-
Miscellaneous	-	3,870	-	6,303	3,080	3,954	14,127
Recreation/Education	1,800	1,571	1,800	223	1,800	828	2,622
Staff recruiting/education	2,750	3,765	3,780	1,702	3,780	-	5,467
Transportation	9,000	8,434	9,000	9,092	9,000	8,047	25,573
Total operating expenses	54,695	50,892	55,725	49,308	58,810	48,489	148,689
Supply expenses:							
Office supplies	2,100	10,243	2,100	7,193	2,100	4,219	21,655
Purchased services	6,000	6,110	6,000	541	6,000	1,837	8,488
Total supply expenses	8,100	16,353	8,100	7,734	8,100	6,056	30,143
Other expenses:							
Administration fee	3,125	8,375	3,125	-	3,120	-	8,375
Purchase of assets	-	-	-	-	-	1,061	1,061
GST	-	1,537	-	1,357	-	2,149	5,043
Total other expenses	3,125	9,912	3,125	1,357	3,120	3,210	14,479
Total expenditures	304,340	309,102	307,820	311,363	310,900	322,090	942,555
Net income (loss)	$ -	$ 448	$ -	$ (2,543)	$ -	$ (7,675)	$ (9,770)

---

[1] Budget figures come from the annual service agreements between DCR and Oyate.

[2] Actual figures come from audited financial information.

Appendix B

Schedule of Revenue and Expenses for Development Fund Years Ended March 31, 2003 to 2006

			Spending in individual years			
	Budget[1]	4 year Total Actual[2]	2003 Actual[2]	2004 Actual[2]	2005 Actual[2]	2006 Actual[2]
Surplus from previous year				$112,995	$93,269	$52,176
Revenue						
Grants - DCR	$ 136,090	$ 136,090	$ 136,090	-	-	-
Expenditures						
Personnel expenses						
Board honorarium	-	8,550	300	-	6,550	1,700
Elder/Staff honorarium	-	2,250	-	1,700	550	-
Salaries and benefits	19,464	16,803	3,633	-	13,170[3]	-
Total personnel expenses	19,464	27,603	3,933	1,700	20,270	1,700
Operating expenses						
Building occupancy	3,108	-	-	-	-	-
Recreation/Education	6,600	1,670	-	-	-	1,670
Board/Elder/Staff travel	-	8,886	479	1,864	5,061	1,482
Office supplies	6,880	3,002	2,951	-	51	-
Staff recruiting/education	47,038	732	732	-	-	-
Purchased services	3,000	39,321	900	16,162[4]	11,294[5]	10,965
Total operating expenses	66,626	53,611	5,062	18,026	16,406	14,117
Miscellaneous expenditures						
Admin fee	14,100	14,100	14,100	-	-	-
Community consultation	5,000	-	-	-	-	-
Cree-Ative consulting	900	-	-	-	-	-
Building design	30,000	-	-	-	-	-
Purchase of assets	-	4,117	-	-	4,117	-
GST	-	300	-	-	300	-
Total miscellaneous expenditures	50,000	18,517	14,100	-	4,417	-
Total Expenditures	136,090	99,731	23,095	19,726	41,093	15,817
Net income/(deficit)	$ -	36,359	112,995	(19,726)	(41,093)	(15,817)
Surplus		$ 36,359	$ 112,995	$ 93,269	$ 52,176	$ 36,359

---

[1] Budget figures come from the March 26, 2003 service agreement between DCR and Oyate.

[2] Actual figures come from audited financial information.

[3] Amount restated to correct classification error of $9,924 salary expense, which was recorded as Recreation/Education (food) expense.

[4] Amount includes $3,759 of building costs, which should have been paid from the building capital fund not the development fund.

[5] Amount restated to correct classification error of $1,100 board travel expense, which was recorded as purchased services. Amount includes $6,423 of building costs, which should have been paid from the building capital fund not the development fund.

This page left blank intentionally.

Environment

5

Main points 187

Introduction 189

Our audit conclusions and findings 190

Timely verification of forestry fees 191

Segregation of duties 192

Effective direction to employees 193

Control over capital assets 194

Compliance with the Financial Administration Manual 195

Better human resource plan 196

Complete business continuity plan 197

Improving compliance reporting 198

Control over bank accounts 198

Collection processes 199

Hiring practices 199

Progress toward improving its regulation of air emissions 200

Process established for waiving permits 201

Sound and consistent terms and conditions for permits needed 201

Processes needed to ensure permits are properly approved and expired permits are followed up promptly 202

Processes for monitoring compliance with permits required 202

Human resource plan needs improvement 203

System to collect and maintain information to prepare reliable reports needs improvement 203

Internal and external reporting on air emissions progressing 204

5

Environment

Regulating the quality of drinking water **205**
Documenting quality control reviews 205
Monitoring results 205

Main points

In our 2005 Report – Volume 1, we reported that the Department of Environment (Department) incurred a loss of public money and possible loss of public money totalling about $500,000. We identified several deficiencies in the Department's controls to reduce the risk of error or fraud and made several recommendations. In our 2005 Report – Volume 3, we made other recommendations to help the Department improves its processes to safeguard public resources.

In 2006 we examined the progress the Department made in addressing our recommendations. The Department has established rules and procedures to safeguard public resources but faces challenges in ensuring staff follow them. As a result, many of our recommendations remain outstanding. It is challenging for the Department to address our recommendations without a plan to do so. The Department needs a plan setting out when and how it will fully address our recommendations, and whether it has the resources to do so. In addition, a better human resource plan would help the Department determine the competencies it needs to those that exist along with strategies to address any gaps. We also make three new recommendations to help the Department improve its processes to safeguard public resources.

We also report that the Department needs to do more work to address our recommendations to better regulate air emissions. The Department addressed our recommendations relating to regulating the quality of drinking water.

This page left blank intentionally.

Introduction

The Department of Environment (Department) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations. Information about the Department is available on its website (www.se.gov.sk.ca/).

For the year ended March 31, 2006, the Government's summary financial statements show environment and natural resource expenses of $174 million (2005 – $154 million) comprised of the following:

	(in millions of dollars) 2006	2005
Department of Environment (2005-06 Public Accounts – Volume 1)	$ 146	$ 133
Deduct expenses shown as:		
Economic development related to forests	(12)	(13)
Community development related to urban parks	(4)	(4)
Other	(5)	-
Add expenses incurred by:		
Saskatchewan Water Corporation	28	25
Saskatchewan Watershed Authority	21	13
	$ 174	$ 154

The Department received $146 million (2005 – $133 million) from the General Revenue Fund for its programs (plus an additional $37 million for capital asset acquisitions). Also, the Department recorded revenue of $53 million (2005 – $50 million). The Department raises revenue from licences and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Department raises revenue and incurs expenses through its funds listed on the next page.

Information about the Department's revenues and expenses appear in the Department's 2005-06 annual report, (see www.se.gov.sk.ca). The Department's major programs and spending include:

	Original Estimates	Actual
	(Millions of dollars)	
Central Management and Services	$ 18	$ 17
Environmental Protection and Water Management	23	24
Forest Services	14	14
Fire Management and Forest Protection	89	82
Resource Stewardship	7	7
Parks	14	15
Compliance and Field Services	14	14
Planning and Risk Analysis	5	5
Other	5	5
	$ 189	$ 183

The Department is responsible for managing the following special purpose and revolving funds (funds) and Crown agencies:

- Commercial Revolving Fund
- Fish and Wildlife Development Fund
- Resource Protection and Development Revolving Fund
- Operator Certification Board
- Saskatchewan Watershed Authority
- Water Appeal Board

Our audit conclusions and findings

We worked with Meyers Norris Penny LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (see our website at www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the year ended March 31, 2006:

- **the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

- **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**

- **the financial statements of the Department's funds and agencies are reliable**

In this chapter, we also report the results of our follow-up of the Department's processes to regulate air emissions and the quality of drinking water. The Department needs to do more work to address our recommendations to better regulate air emissions.

Also, in our 2005 Report – Volume 1, we reported that the Department of Environment incurred a loss of public money and possible loss of public money totalling about $500,000. We concluded that the Department needs to do the following in order to reduce the risk of error or fraud:

- properly segregate the duties of its employees
- provide effective direction to employees
- properly oversee operations
- assess and reduce the risk of loss of public money by employees in positions of trust

The Department has not yet fully addressed many of our past recommendations. It is challenging for the Department to address our recommendations without a plan to do so. The Department needs a plan setting out when and how it will fully address our recommendations, and whether it has the resources to do so.

Timely verification of forestry fees

The Department needs to verify and collect forestry fees promptly. The Department collected forestry fees of approximately $8 million for the year ended March 31, 2006.

The Department has forest management agreements (FMAs) with forestry companies. Generally, a FMA describes areas where a forestry company can harvest trees, amount and timing of fees payable to the

Department, and stipulates reforestation activities. The Department requires forestry companies to submit monthly returns and pay forestry fees based on an estimated volume of trees delivered. It also requires the companies to submit an annual return reconciling the estimated volume to the actual volume of trees delivered. This annual return helps determine the total fees for the year. However, the companies do not remit any remaining fees owing until the Department verifies the annual reconciliations.

The Department must promptly verify the annual returns the forestry companies submit. Verifying these returns ensures forestry companies promptly pay their forestry fees. At the time of our audit, the Department had not verified the annual returns for all the companies for the years ended March 31, 2005 and 2006. We also found no evidence that the Department's employees had informed senior management of the delays in verifying the returns of forestry companies. Delays in verifying annual returns results in delays in collecting forestry fees and may result in a loss of public money.

The Department uses its internal auditor to help ensure the forestry companies comply with the terms of FMAs and pay proper fees. However, the internal auditor's work plan for FMAs is not timely.

During the year, the Department's internal auditor audited the annual returns of a company covering the period April 1, 2000 to March 31, 2004. The internal auditor concluded that the company owed $765,000 in fees to the Department. The Department has collected the unpaid fees.

1. **We recommend the Department of Environment verify and collect forestry fees promptly.**

Segregation of duties

In our 2005 Report – Volume 1, we recommended that the Department properly segregate the duties of the employees responsible for collection, receipt, disbursement, or expenditure of public money. Segregation of duties is important to prevent the misuse of public money.
The Standing Committee on Public Accounts (PAC) considered this matter in June 2005 and agreed with our recommendation.

During the year, the Department properly segregated the duties of employees around the collection and receipt of public money.

The Department has established policies setting out proper segregation of duties for processing payments. It has also provided training to employees on these policies. However, employees continued to have difficulties complying with the established policies. We found instances where there was no indication who received the goods and services. Also, employees did not always check for proper approval of invoices before paying them. The Department's internal auditor advised senior management that employees do not always comply with the segregation of duties policies for processing payments.

We continue to recommend that the Department properly segregate the duties of the employees responsible for disbursement or expenditure of public money.

Effective direction to employees

In our 2005 Report – Volume 1, we recommended the Department clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies.

PAC considered this matter in June 2005 and agreed with our recommendation.

The Department has various operating policies and procedures manuals that provide guidance to its employees. The manuals include direction to employees for initiating and processing payments and reconciling revenue billings and payment records to the accounting records. The Department has also established an authority grid. During the year, the Department provided fraud awareness and internal control training to almost all its employees. Management told us it plans to provide such training annually. In addition, the Department requires its supervisors and managers to supervise the work of others.

However, employees do not follow the established policies for processing payments and reconciling accounting records. We found payments without properly approved invoices. Also, we found employees did not agree (reconcile) revenue billings to the accounting records on a timely basis. For the year ended March 31, 2006, employees had not reconciled all license and forestry revenues to the accounting records by September 2006. Nor had the supervisor taken action to ensure the reconciliations were complete, assessed the consequences of not completing reconciliations, and informed senior management. Lack of timely reconciliation increases the risk that errors and misuse of resources could occur without detection. The Department must ensure its employees understand the established policy and the consequences for not following those policies. Also, the Department needs to train and direct its supervisory staff to help supervise the work of their employees.

Also, the Department needs to improve its direction to employees for safeguarding inventory. The Department and its funds hold a significant amount of inventory. Some of this inventory is for sale (e.g., maps, books) and the rest of it is consumable (e.g., fuel, airplane parts). At March 31, 2006, the Department and its funds had inventory of approximately $15.7 million.

The Department did not provide timely guidance to staff for counting and valuing inventory. Because the Department had not provided any direction to its employees, they counted and valued some inventory. incorrectly.

We continue to recommend the Department of Environment clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies.

Control over capital assets

In our 2004 Report – Volume 3 and previous reports, we recommended that the Department should ensure its employees follow the established rules and procedures to control the Department's capital assets.

In May 2003, PAC considered this matter and agreed with our recommendation.

At March 31, 2006, the Department managed capital assets with a net book value totalling approximately $76.2 million (2005 - $33 million). These assets include land, buildings, machinery, transportation equipment (e.g. airplanes), and office equipment.

The Department has established appropriate processes for maintaining complete records of its capital assets. The established processes require employees to identify and record the capital assets acquired, transferred between locations, and disposed of during the year. The Department also require staff to inspect capital assets regularly to ensure capital assets exist and regularly reconcile(agree) the capital asset records to the financial records. However, the Department lacks adequate processes to supervise the completion of the capital asset processes.

The Department has not made progress in ensuring its employees follow established processes. Employees do not update the capital asset records properly and do not record the location of capital assets. Employees do not regularly reconcile the capital asset records to the financial records and investigate differences. We also found no evidence of supervisors ensuring the capital asset records are properly maintained. At year-end, the Department's financial records showed $300,000 less capital assets than the capital asset records. In addition, we found the Department incorrectly expensed capital assets of $750,000. Inadequate and inaccurate records increase the risks that the Department's capital assets may be lost or stolen without detection.

We continue to recommend the Department of Environment ensure staff follow the Department's rules and procedures to safeguard its capital assets.

Compliance with the Financial Administration Manual

In our 2005 Report – Volume 3, we recommended the Department prepare complete and accurate year-end financial reports as required by the *Financial Administration Manual* (FAM).

PAC considered this matter in March 2006 and agreed with our recommendation.

FAM requires the Department to give the Department of Finance a year-end financial report that shows the revenues, expenses, assets, and liabilities of the Department. The Department of Finance uses this report to prepare the Government's financial statements.

The Department's year-end financial reports contained several errors for the year ended March 31, 2006. The Department's year-end financial reports included $1.7 million owing to others. The Department did not know who this amount is owed to and why. The Department's financial reports also did not record $13 million in rental expenses to other Departments. The Department also did not know the full amount of forestry fees it is owed at March 31, 2006.

We continue to recommend that the Department of Environment prepare complete and accurate year-end financial reports as required by the *Financial Administration Manual.*

Better human resource plan

In 2005-2006, the Department did not have an adequate human resource plan. An adequate human resource plan would help the Department to ensure it has the right employees, in the right jobs, at the right time.

An adequate human resource plan would:

- set out priorities and human resource needs and link to strategic direction of the Department
- identify key human resource risks and any competency gaps in current resources
- set out strategies and implementation plans to bridge competency gaps

The Department has determined its current human resource needs. It now needs to determine its future human resource needs and develop strategies to address any gaps between its current and future workforce. Also, the Department's development program for its accounting employees should assess if its employees have the competencies required to do the work and if needed, include a training program to ensure employees obtain the required competencies. When employees do not have the needed competencies, they may hesitate to do the assigned tasks or do them incorrectly.

2. **We recommend that the Department of Environment identify its future human resource needs and develop strategies to address any competency gaps.**

Management told us that the Department is in the process of identifying the critical competencies employees need to carry out the Department's strategic direction. Management also told us that the Department plans to re-evaluate its current human resources, determine its future human resource needs, identify the gap between the present and future workforce, and develop strategies to address those gaps.

Complete business continuity plan

The Department needs a written, tested, and approved business continuity plan to help ensure that it can deliver its programs and services in the event of a disaster.

The Department delivers a number of environmental programs and services to the residents of Saskatchewan as part of its mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Department is at risk of not being able to deliver its programs and services in a timely manner.

Business continuity plans should:

- be supported by management including making the required resources available to create and maintain the business continuity plan
- be based on a threat and risk assessment including identifying and ranking the Department's critical services
- include plan activation and notification procedures; emergency procedures that would be used in the event of a disaster; and steps for the recovery and restoration of critical services
- be documented, approved by management, and easily accessible when needed
- be tested initially and on a regular basis
- include policies for regular maintenance and updating of the plan

The Department does not have a complete and tested business continuity plan. However, it has developed some procedures for storing and recovering programs and data for all major information technology systems as part of its contingency plan.

In our 2005 Report – Volume 3 and previous reports, we recommended the Department prepare a complete written contingency plan and test that plan to ensure it works. PAC considered this matter in May 2003 and agreed with our recommendations. However, we found the Department still does not have a complete written and tested contingency plan.

A contingency plan is only one component of a business continuity plan. To ensure they can respond to unforeseen incidents without significantly affecting the normal operations, well-managed agencies prepare a complete business continuity plan.

3. **We recommend the Department of Environment prepare a complete business continuity plan.**

Improving compliance reporting

In our 2005 Report – Volume 1 and previous reports, we recommended the Department define and document its compliance reporting needs.

PAC considered this matter in January 1999 and agreed with our recommendation.

The Department has not yet defined and documented its compliance reporting needs. The compliance reports should show the Department's compliance with legislative and related authorities (e.g., the laws and policy manuals.) The Department told us it has drafted a plan to define and document its compliance reporting needs.

We continue to recommend the Department define and document its compliance reporting needs.

Control over bank accounts

In our 2004 Report – Volume 3, we reported that the Department should follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

In January 2005, PAC considered this matter and agreed with our recommendation.

Although the Department has established rules to agree (reconcile) its bank balances to the bank's records promptly, including an independent review and approval of completed bank reconciliations, it still has not reconciled all bank accounts promptly. At March 31, 2006, the Department still had not reconciled its key transfer bank account since 2003. This key transfer bank account receives deposits of about one third of the Department's revenues, which are then transferred to the General Revenue Fund at the Department of Finance.

Without complete bank reconciliations, the Department does not know if its accounting records are accurate or if all money has been received and deposited.

We continue to recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Collection processes

In our 2004 Report – Volume 3, we recommended the Department of Environment establish processes to collect money due from others.

In January 2005, PAC considered this matter and agreed with our recommendation.

In March 2006, the Department established an adequate collections policy. Because the collections policy was not implemented until close to the year-end, we cannot determine how well employees follow that policy. Next year, we will examine how well employees follow the collections policy.

We continue to recommend that the Department of Environment establish processes to collect money due from others.

Hiring practices

In our 2005 Report – Volume 1, we reported that the Department should assess the risk of loss of public money by employees in a position of trust and reduce this risk to an acceptable level by requiring criminal record checks. We also reported that the Department should assess if the

Government's standard blanket fidelity bond (insurance) coverage reduces its risks of loss to an acceptable level.

PAC considered these matters in June 2005 and agreed with our recommendations.

In September 2005, the Public Service Commission (PSC) announced that all employees responsible for the collection, receipt, disbursement, or expenditure of public money as well as all senior managers will require criminal record checks when hired and once every five years while employed. In a future audit, we will examine whether the Department has followed this new PSC policy.

The Department told us it is working with the Department of Finance and the PSC to assess if the Government's standard blanket fidelity bond (insurance) coverage reduces its risk of loss to an acceptable level.

We continue to recommend the Department of Environment assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).

We continue to recommend the Department of Environment assess if the Government's standard blanket fidelity bond (insurance) coverage reduces its risks of loss to an acceptable level.

Progress toward improving its regulation of air emissions

The Department is responsible to protect Saskatchewan's air quality by regulating air pollutants that originate in the Province. The Department regulates air emissions from operators and monitors ambient (overall) air quality.

In 2003, we audited the Department's process to regulate air emissions. In our 2004 Report – Volume 1, we reported the Department did not have adequate processes to regulate air emissions. We made seven recommendations to help the Department improve its practices. PAC considered these matters in December 2004 and agreed with our recommendations.

During September 2006, we reviewed what the Department has done to address our recommendations. We describe below our recommendations and the Department's progress.

Process established for waiving permits

Recommendation 1 – The Department should establish processes to obtain Minister's Orders for waiving permits for minor sources of air contaminants.

We found that the Department had established a process to obtain Minister's Orders for waiving permits for minor sources of air contaminants. Management told us it is considering seeking changes to legislation to make this a simpler process.

Sound and consistent terms and conditions for permits needed

Recommendation 2 – The Department should set sound and consistent terms and conditions for permits to regulate air emissions.

The Department has formed an Air Quality Permitting and Compliance Working Group to develop a consistent permitting process. An Air Quality Permitting Protocol that outlines the permitting process has been drafted. The Department also began overseeing its air quality program centrally in the 2004-05 fiscal year. This has resulted in more consistency in permitting, inspection, and monitoring across the province. However, senior management needs to approve the draft protocol so staff have written guidelines to use when setting permit terms and conditions.

We continue to recommend the Department set sound and consistent terms and conditions for permits to regulate air emissions.

Processes needed to ensure permits are properly approved and expired permits are followed up promptly

Recommendation 3 – The Department should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.

The Department still does not have appropriate staff approve permits. The Department has begun to change its processes to follow up expired permits. The Department has taken an inventory of permits and documented the permits along with expiry dates on a spreadsheet. However, the Department needs to ensure it keeps the permit spreadsheet up to date so that it can follow up expired permits. Management told us they intend to use the spreadsheet to remind companies to apply for permit renewals. Management also told us the Department is considering tracking permits on a central database which currently tracks compliance of water and wastewater permits. This will allow the Department to track more detailed permit information and update information on a timely basis.

We continue to recommend the Department should establish processes to ensure permits are properly approved and expired permits are followed up promptly.

Processes for monitoring compliance with permits required

Recommendation 4 – The Department should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.

As noted above, the Department has drafted an Air Quality Permitting Protocol. When completed, the protocol will include requirements for monitoring compliance with permits. However, the Department has not yet established written guidelines to assess operator compliance with permit terms and conditions. The Department also has started developing an air monitoring directive that will assist staff and operators in understanding the monitoring and reporting requirements in the Province.

The Department has started developing a standardized compliance form for staff to use. This form will help ensure staff follow up all complaints in a consistent manner.

We continue to recommend the Department set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.

Human resource plan needs improvement

Recommendation 5 – The Department should complete its human resource plan including a plan for employee training to regulate air emissions.

The Department continues to improve its human resource plan. The Department is in the process of identifying specialized competencies in the Department and determining if gaps exist for these specialized competencies (see page 196 also). Regarding regulation of air emissions, management told us the Department has assigned additional resources in the area and has provided some training. Where gaps continue to exist, management told us the Department plans to implement further measures, including training, to address the gaps.

We continue to recommend the Department complete its human resource plan including a plan for employee training to regulate air emissions.

System to collect and maintain information to prepare reliable reports needs improvement

Recommendation 6 – The Department should establish systems to collect and maintain information to prepare reliable reports.

The Department continues to maintain manual records on each of its permit holders and uses a spreadsheet to collect and maintain information centrally. The Department needs to regularly update the spreadsheet. Also, the spreadsheet does not contain information about monitoring results. The Department continues to consider the merits of storing permit information on a central database.

We continue to recommend the Department establish systems to collect and maintain information to prepare reliable reports.

Internal and external reporting on air emissions progressing

Recommendation 7 – The Department should improve its internal and external reporting on air emissions.

The Department has improved its internal reporting since we first reported this matter. Senior management now receives quarterly reports that describe Department activities, such as setting up a regional air quality monitoring network. However, the Department needs to provide information about emission limits set, actual emissions, permitted operators, compliance with permit terms and conditions, investigation of complaints, and the Department's enforcement activities to senior management. The information should also be timely. The Department should also provide this information to industry and to the public. As stated earlier, management told us it started developing an air monitoring directive that outlines industry requirements for reporting air emission information. This should allow the Department to make such information available to industry and the public.

The Department is updating its website. The website currently has a link to the activities of the Canadian Council of Ministers of Environment.[1] Potentially, this could be expanded to include links to other air quality initiatives such as the National Pollutant Release Inventory.[2]

The Department told us that its website will soon be able to provide near real-time data and air quality information from the provincial ambient air monitoring stations. The Department now gathers data from four ambient air monitoring stations in the province (compared to two at the time of our audit).

We continue to recommend the Department improve its internal and external reporting on air emissions.

---

[1] The Canadian Council of Ministers of Environment work together to reach specific goals with regard to inter-jurisdictional issues such as waste management, air pollution and toxic chemicals.

[2] The National Pollutant Release Inventory is Environment Canada's database that contains information on key pollutants in Canada.

Regulating the quality of drinking water

The Department of Environment has primary responsibility for carrying out the Government's Safe Drinking Water Strategy. The Department is responsible under *The Environmental Management and Protection Act, 2002 (EMPA)* and *The Water Regulations, 2002* to regulate and inspect municipal waterworks, municipal wells connected to a distribution system, certain pipelines, and other public waterworks with a capacity of 18 cubic metres or more per day (i.e., villages, towns, cities).

In 2005, we audited the Department's processes to regulate the quality of drinking water. We reported our audit results in Chapter 6 of our 2005 Report – Volume 3 and made two recommendations for the Department to help improve its processes.

We recommended that the Department:

- adequately document its quality control reviews of waterworks inspections
- follow up water quality monitoring results

PAC considered these recommendations in March 2006 and agreed with our recommendations.

In September 2006, we assessed the Department's actions to address our recommendations. We set out the results of our work below.

Documenting quality control reviews

The Department has improved its processes. It requires documentation of the quality control reviews. During our follow-up work the quality control reviews included adequate documentation.

Monitoring results

The Department monitors the frequency and results of drinking water tests. The Department has set out procedures for employees to follow if a test result is unacceptable (e.g., showing harmful bacteria).

The Department has established a process to track the actions that the Department takes in the event of an unacceptable test result (e.g., showing harmful bacteria). During our follow-up work, we saw evidence of the Department's quarterly tracking to ensure its employees follow up the monitoring results. This will help the Department address any concerns related to water quality in a consistent and appropriate manner.

We commend the Department for its quick action on our recommendations to regulate the quality of drinking water.

Information Technology Office

6

Main points **208**

Introduction **209**

Financial overview 209

Audit conclusions **209**

ITO security audit **210**

Background 210

Our audit objective and criteria 211

Our conclusion 212

Key findings by criterion 212

- Show management commitment to security 212
- Protect client systems and data from unauthorized access 213
  - The ITO needs to follow its security policies and procedures 214
  - The ITO needs to protect its systems and data 214
- Ensure client systems and data are available for operation 215
- Ensure the integrity of the client systems and data 216

Managing IT service delivery—a follow-up **217**

Background 217

Signed service level agreements required 218

Security and disaster recovery agreements needed 219

Further follow-up required 220

Selected references **221**

Main points

The Information Technology Office (ITO) provides information technology (IT) services to client departments. We audited whether the ITO safeguarded public resources and complied with the law. It did so. We also audited the ITO's controls to protect the confidentiality, integrity, and availability of client IT systems and data. As well, we followed up on an earlier service delivery audit.

The ITO has set up the foundation for a secure data centre. During the audit period, the ITO worked at implementing its security processes while it continued to add new clients and provide additional services. We found that the ITO had adequate controls to protect client IT systems and data for the period October 1, 2005 to March 31, 2006 except the ITO needs to:

- perform quality assurance tests to ensure its security policies and procedures are followed
- follow its security policies and procedures
- protect its systems and data from security threats
- implement a disaster recovery plan for its data centre and client systems

To maintain the security of client IT systems and data, the ITO needs to continue to strengthen its processes and monitor its operations as it continues to grow.

We also followed up our earlier audit of the ITO's processes to manage the delivery of agreed-upon services to clients. We continue to recommend that the ITO work with its clients to implement agreements that govern service delivery, security, and disaster recovery. We continue to recommend that the ITO sign adequate agreements with its clients before delivering IT services to them.

Introduction

The Information Technology Office Regulations establishes the Information Technology Office (ITO) as a department. The mandate of the ITO includes: "to develop, promote, and implement policies and programs of the Government of Saskatchewan relating to information technology and information management."[1] The ITO carries out this role to support its vision of "enabling excellence in government service delivery through leadership and exceptional customer service in information technology."[2]

For further details regarding the ITO's mandate and operations, consult its publications at its website at www.ito.gov.sk.ca.

Financial overview

The following is a list of the ITO's major programs and spending. For further detail, see the ITO's 2005-2006 Annual Report available on its website.

	Estimates[3]	Actual[4]
	(in thousands of dollars)	
Central Management and Services	$ 1,407	$ 1,421
IT Coordination and Transformation Initiatives	3,224	3,102
Interdepartmental Services	130	252
Services Provided to External Agencies	69	78
	$ 4,830	$ 4,853

Audit conclusions

The following are our audit conclusions for the fiscal year ending March 31, 2006.

---

[1] *The Information Technology Office Regulations*, s. 3(b).
[2] Information Technology Office, *Performance Plan 2006-07*, p.5.
[3] *Public Accounts 2005-2006: Estimates*, p.93. The amounts includes Supplementary Estimates of $243,000 (from *2005-06 Supplementary Estimates – November*).
[4] *Public Accounts 2005-2006: Volume 2*, p.135.

In our opinion:

- **the ITO had adequate rules and procedures to safeguard public resources**
- **the ITO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The remainder of this chapter discusses the results of our security audit at the ITO and the follow-up of our audit of the ITO's service delivery processes.

ITO security audit

Background

The Information Technology Office (ITO) provides information technology (IT) services to client departments (see Exhibit 2). The ITO's responsibilities include "...operating and managing IT infrastructure (networks and servers), ensuring data security, providing help desk services, developing IT applications, providing project management expertise on all IT projects as well as managing, procuring and distributing IT hardware and software."[5]

Government departments used to provide these services for themselves. By having the ITO deliver these services centrally, the Government intends to reduce costs, increase security, and improve program delivery.[6]

The ITO continues to expand its operations and modify its security processes. The ITO has developed and implemented a security policy based on an international standard. Also, the ITO implemented an IT data centre in May 2005. The data centre stores client data and the hardware and software necessary to run client systems. The ITO uses its data centre to provide IT services to its clients.

---

[5] Information Technology Office, *Performance Plan 2006-07*, p.4.

[6] Ibid., p.9.

The creation of the new data centre and the addition of new clients are significant changes. For example, when a client joins the ITO, the ITO becomes responsible for hosting and managing client systems. Also, client IT staff become ITO staff. During the audit period, two additional clients joined the ITO. This increased the ITO's staffing levels by over 60%. The ITO needed to train and manage these staff to follow ITO policies and procedures, provide services to new clients on new systems, and continue to serve existing clients.

Our audit objective and criteria

The objective of our audit was to assess whether the ITO had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period October 1, 2005 to March 31, 2006.

We used criteria to assess the ITO's processes. The criteria are based upon the *Trusted Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants, international standards, literature, and reports of other legislative auditors. The ITO agreed with the criteria.

Our criteria, set out in Exhibit 1, describe the key processes that we expected the ITO to use to secure client systems and data.

Exhibit 1

To ensure the ITO has adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data, the ITO should:

1. **Show management commitment to security**
    - 1.1 Responsibility for security is clearly defined
    - 1.2 A threat and risk assessment has been performed
    - 1.3 IT planning supports security
    - 1.4 Management has approved security policies and procedures
    - 1.5 Management monitors security
2. **Protect client systems and data from unauthorized access**
    - 2.1 User access controls protect the client systems from unauthorized access
    - 2.2 Physical security controls protect the data centre from unauthorized access
3. **Ensure client systems and data centre are available for operation**
    - 3.1 System and data backups occur and are tested
    - 3.2 Disaster recovery and business continuity plans are in place
4. **Ensure the integrity of client systems and data**
    - 4.1 Change management processes exist and are followed
    - 4.2 Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

While this audit focused on the ITO's controls, the confidentiality, integrity, and availability of client systems and data also requires strong security controls at clients. For example, clients need good physical security processes to ensure only authorized users have access to their systems and data. Client security controls were not included in the scope of this audit. However, we are aware of security weaknesses at some clients. For example, not all clients inform the ITO to remove access to staff who are no longer employed. Until both the ITO and its clients have strong security processes, client systems and data are at risk.

Our conclusion

We found that the ITO had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period October 1, 2005 to March 31, 2006 except for the matters described in the recommendations below.

Key findings by criterion

Show management commitment to security

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A strong IT division is led by a member of senior management. It is separate from the finance and operating divisions. It has a steering committee to ensure the IT division meets client needs. Commitment also includes implementing and monitoring compliance with security policies and procedures.

The ITO has set up an effective IT organizational structure for securing the ITO data centre. Staff roles and responsibilities are clearly defined and staff meet regularly to discuss IT operation and client issues. The ITO has also set up processes to manage its relationship with clients.

The ITO has developed strong IT security policies and procedures. The ITO is working with clients to have them adopt the ITO's policies and procedures. However, not all clients have defined their security requirements or signed an agreement to follow the ITO's security policies and procedures. Also, the ITO does not have documented quality assurance processes to ensure that its policies and procedures are being followed.

Without strong quality assurance processes, the ITO cannot ensure that client systems and data are secure and will be available when needed.

1. **We recommend the Information Technology Office perform quality assurance tests to ensure its security policies and procedures are followed.**

Protect client systems and data from unauthorized access

We expect the ITO to have adequate physical access and user access processes that protect the clients' systems and data from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, the ITO should physically prevent unauthorized users from entering its data centre.

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the increased use of the Internet, online approvals, automated processes, and multiple clients using one data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. The clients determine who should have access to their systems and data. The client then relies on the ITO to make user access changes that it requests.

The access controls must also establish access rights. Access rights determine what systems, information, and applications a user can see or use. Access rights can also segregate duties within an application.

The ITO has good physical security controls for protecting its IT infrastructure. The data centre is secured with several layers of physical security that are designed to prevent unauthorized access. The ITO has also implemented video surveillance processes for high security areas.

The ITO needs to improve its user access processes as described below.

The ITO needs to follow its security policies and procedures

The ITO has developed strong security policies and procedures based on international standards to protect client systems and data. The policies and procedures identify ITO and client requirements. For example, the client needs to send the ITO an approved access form to support all user access changes including new hires and terminations. The ITO is required to ensure the client change is properly documented and approved before making any changes to a user's access.

The ITO is implementing its security policies and procedures while it continues to obtain new clients, train new staff, and expand its infrastructure. For the period of our audit, the ITO did not consistently follow its established policies and procedures for changing user passwords, making changes to systems, periodically reviewing user access to systems, and for ensuring that user access was promptly removed.

The ITO needs to consistently follow its policies and procedures to protect client systems and data.

2. **We recommend the Information Technology Office follow its security policies and procedures.**

The ITO needs to protect its systems and data

The ITO needs strong security processes to protect its systems and data.

The ITO has developed strong security controls to protect client systems and data. The security controls are designed to prevent unauthorized access to client systems and data. Also, the ITO has done some testing on the data centre to identify security weaknesses. The ITO identified and fixed security weaknesses that, if exploited, could have allowed unauthorized access to systems and data. The ITO needs to continue to do ongoing testing to ensure its systems and data are secure.

The ITO needs to implement processes to detect and manage security threats. For example, the ITO needs to monitor security alerts on its network. Without monitoring network alerts, the ITO may not be able to detect security threats quickly.

3. **We recommend the Information Technology Office protect its systems and data from security threats.**

Ensure client systems and data are available for operation

We expect the ITO to have strong processes to ensure client systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The availability of client systems and data requires strong processes at both the ITO and clients. The ITO needs to have processes to ensure it can restore its data centre. Clients need to identify their disaster recovery requirements to ensure ITO can develop adequate plans to restore its systems.

The ITO has backup procedures and does backups daily. To ensure its backups will be available in the event of a disaster, the ITO takes its backups offsite.

The ITO does not have a complete and approved disaster recovery plan to restore all systems and data. However, the ITO has drafted a disaster recovery plan for its data centre. The draft plan defines who can activate the plan, identifies staff roles and responsibilities, and includes documentation on systems and recovery processes. The plan does not define recovery time requirements for restoring the data centre. Also, the

ITO needs to make staff aware of their roles and responsibilities, maintain adequate documentation to restore systems, and complete testing to ensure the plan will work as required.

The ITO needs to recover its systems and data before it can start to recover client systems. However, the ITO does not know how long it would take to restore data centre operations. The ITO plans to develop a disaster recovery plan to ensure it can restore systems and data based on client needs. However, most clients have not yet identified their disaster recovery needs. Therefore, neither the ITO nor clients know whether systems and data can be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan.

4. **We recommend the Information Technology Office have a disaster recovery plan for its data centre and client systems.**

Ensure the integrity of the client systems and data

We expect the ITO to have processes for maintaining the integrity of client systems and data by implementing strong change management and IT operation processes. The processes should ensure system changes are approved and tested before implementation. The ITO also needs to ensure that it has strong processes for running and maintaining its data centre.

The ITO has developed strong change management policies and procedures. The ITO has a change management committee that meets weekly to review changes. The ITO also provides integrity by ensuring it has operational processes for managing and maintaining its data centre.

The ITO has adequate processes for making changes to its systems. However, as noted earlier in this chapter, the ITO did not always follow its change management processes.

The ITO has set up the foundation for a secure data centre. To ensure it can maintain the security of client systems and data, the ITO will need to continue to strengthen its processes and monitor its operations as it continues to grow.

Managing IT service delivery—a follow-up

Background

The ITO has been providing IT services to a growing number of clients. Exhibit 2 shows the number of agencies receiving services from the ITO at September 30, 2005 and at September 30, 2006.

In 2005, we audited the ITO's processes to manage the delivery of agreed-upon information technology services to clients. In Chapter 8 of our 2005 Report – Volume 3, we reported our audit results.

We concluded that the ITO had adequate processes to manage the agreed-upon delivery of IT services to clients except for two areas. We found that the ITO was delivering IT services without signed service level agreements. We also found that, where there were agreements, they did not include security and disaster recovery requirements.

We recommended that the ITO sign service level agreements with its clients prior to delivering information technology services. We also recommended that the ITO sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.

Exhibit 2—Agencies receiving ITO services[7]

Agencies in IT partnership	At September 30, 2005	At September 30, 2006
	Agriculture and Food Culture, Youth and Recreation First Nations and Métis Relations Government Relations Highways and Transportation Industry and Resources Northern Affairs Rural Development Saskatchewan Municipal Board Saskatchewan Grain Car Corporation	Advanced Education and Employment Agriculture and Food Culture, Youth and Recreation Executive Council Finance First Nations and Métis Relations Government Relations Highways and Transportation Industry and Resources Learning Northern Affairs

---

[7] The ITO also provides services to smaller agencies through agreements with existing partners.

	At September 30, 2005	At September 30, 2006
Agencies in IT partnership		Public Service Commission Regional Economic and Co-operative Development Saskatchewan Municipal Board Saskatchewan Grain Car Corporation
Agencies in the process of joining the IT partnership	Finance Executive Council	Environment
Agencies in discussions with the ITO to join the IT partnership	Community Resources and Employment Corrections and Public Safety Environment Health Justice Labour Learning Public Service Commission Saskatchewan Property Management	Community Resources Corrections and Public Safety Health Justice Labour Saskatchewan Property Management

Source: Information Technology Office

In 2006, we followed up on our report by reviewing the ITO's actions on our recommendations. We set out the results of this review in this chapter.

Signed service level agreements required

We recommended the ITO sign service level agreements with its clients prior to delivering information technology services.

Service level agreements set out the roles and responsibilities of both the ITO and the client for delivery of IT services. The agreements describe the services to be provided by the ITO, service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as establishing new email accounts within five days), and the term of the agreement.

Service level agreements should be in place before the ITO provides services to clients so that the ITO and its clients understand their respective roles and responsibilities. Without signed service level agreements, there is risk that there may not be appropriate agreement on all matters and that client needs may not be met.

According to the ITO, as of September 30, 2006, the ITO had signed service level agreements with nine of its sixteen clients (agencies in the partnership or in the process of joining). Two service level agreements expired in March 2006 and the ITO is negotiating changes to these agreements. The remaining five departments are also negotiating service level agreements with the ITO.

In our follow-up, we found that ITO and department processes had not changed. The ITO continues to provide and departments continue to obtain services pending negotiation and signing of service level agreements.

The ITO has a standard service level agreement that departments can use as a starting point when joining the partnership. However, most departments obtain services from the ITO before signing an agreement. By doing so, they receive services without adequate assurance that the services, costs, and security they will receive will meet their needs. Departments are subsequently signing agreements as they document their service level expectations.

We continue to recommend that the ITO sign service level agreements with its clients prior to delivering information technology services.

Security and disaster recovery agreements needed

We recommended that the ITO sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.

The ITO needs to have agreements with its clients on security and disaster recovery. This is necessary to help ensure the confidentiality, integrity, and availability of systems and data. The agreements could be part of the service level agreements or could be reflected in other documents.

The ITO has progressed in signing agreements with clients on security. At the time of the audit, the ITO had signed security agreements with two clients. The ITO advises that at September 30, 2006 it has signed security agreements with nine clients. However, the ITO continues to provide services to clients who have not yet signed security agreements.

Moreover, the security agreements are not complete. The security agreements focus on client responsibility to follow the ITO's security policy and standard. The agreements do not adequately set out security processes, expectations, and reporting requirements for the services provided by the ITO to its clients. Nor do the security agreements adequately address disaster recovery processes, expectations, and reporting requirements for services to clients.

However, it is important to note that the clients are responsible to determine their security needs and identify disaster recovery requirements to support their business continuity plans. Until clients clearly identify and communicate their security and disaster recovery requirements, these needs cannot be adequately reflected in the agreements.

We continue to recommend that the ITO sign agreements with its clients that address security and disaster recovery processes, expectations, and reporting requirements.

Further follow-up required

The ITO and its clients should work together to implement agreements that govern service delivery, security, and disaster recovery. The absence of such agreements presents risks to the confidentiality, integrity, and availability of systems and data, and to the ability of the ITO to meet client needs. We will continue to monitor actions by the ITO and departments in this area.

Selected references

International Organization for Standardization. (2005). ISO/IEC 17799:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

Canadian Institute of Chartered Accountants. (CICA). (2003). *Trust services principles and criteria*. Toronto: Author.

Canadian Institute of Chartered Accountants. (CICA). (1998). *Information technology control guidelines*. Toronto: Author.

The Information Systems Audit and Control Foundation. (2000). *CoBiT-governance, control and audit for information and related technology; 3rd Edition*. Rolling Meadows, IL: Author.

This page left blank intentionally.

Public Service Commission

7

Main points **224**

Introduction **225**

Understanding the PSC 225

Financial overview 225

Audit conclusions and findings **226**

Human resource plan needs improvement 226

Agreement for information technology services needed 228

Leading human resource planning—a follow-up **229**

Background 229

Guide human resource planning 229

Manage human resource risks 230

Main points

Public Service Commission (PSC) leads the development and coordination of human resource planning across departments. It also prepares a human resource plan for its own activities which it needs to improve.

In 2005-06, PSC took steps to better lead human resource planning across departments, but some work remains. It provided departments with better guidance on human resource planning. For example, it trained departments on a formal process to help them identify and analyze human resource risks. PSC plans to apply the formal process to the across-department plan in the next planning cycle. In addition, PSC, along with departments, agreed upon a more manageable number of near-term human resource priorities. PSC needs to ensure departments agree that the longer-term priorities are manageable.

Also, PSC needs a written agreement with the Information Technology Office (ITO). Since March 2006, PSC receives information technology services from ITO. PSC remains responsible for the integrity of these services. A written agreement is essential so that PSC can monitor ITO's services.

Introduction

This chapter sets out a brief overview of the Public Service Commission (PSC) and the results of our audit of PSC for the year ending March 31, 2006. It, also, set out actions PSC has taken to address recommendations related to our 2005 audit of the adequacy of PSC's processes to lead human resource planning across departments.

Understanding the PSC

Under *The Public Service Act, 1998,* PSC is responsible for representing the public interest in human resource management of staff employed primarily by the Government's departments. Government departments employ about 11,000 permanent full-time staff and about 2,000 seasonal staff.

PSC provides the human resource policy framework in which the Government's departments must operate. In addition, it is the employer representative for all the Government's departments in labour negotiations. The quality and strength of PSC's policies and corresponding human resource strategies are important to not only the success of PSC, but to the success of the Government's departments.

For further details on PSC's mandate and governing legislation, see its publications at its website at www.gov.sk.ca/psc

Financial overview

The following is a list of PSC's major programs and spending. For further detail, see PSC's 2005-2006 Annual Report available on its website.

	Original Estimates[1]	Actual
	(in thousands of dollars)	
Central management and services	$ 2,187	$ 2,186
Human resource information services	1,250	1,286
Employee relations	1,472	1,472
Human resource development	3,088	3,425
Aboriginal management and professional internship program	623	398
Capital asset amortization	141	141
	$ 8,761	$ 8,908

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **PSC had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter**
- **PSC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The following section sets out our detailed findings.

Human resource plan needs improvement

The human resource plan for PSC's staff needs improvement.

A sound human resource plan (HR plan) helps ensure agencies have the right people, in the right position, at the right time. A comprehensive HR plan includes the information set out in Exhibit 1. Often, this information is not in a single document.

---

[1] *2005-06 Saskatchewan Provincial Budget – Estimates*, p. 121, Government of Saskatchewan, March 2005.

Exhibit 1

A comprehensive human resource plan:

- sets out human resource priorities linked to the agency's strategic direction
- describes key human resource risks affecting the agency
- outlines gaps in its current human resources
- describes human resource strategies to bridge identified gaps or address human resource risks or priorities
- outlines implementation of major human resource strategies

PSC leads the development and coordination of the department-wide human resource planning. In common with other government departments, PSC is responsible for the development of a human resource plan for its staff. PSC has a staff of about 118 full-time equivalents.

PSC has a human resource (HR) plan specific to its own human resource needs. When PSC developed its HR plan, PSC was aware of potential changes that could affect its future operations and in turn, its HR plan. PSC recognized, at that time, it did not have sufficient information to determine the impact of these potential changes in its HR plan and that without this information, its HR plan would be incomplete.

While its HR plan includes most of the information expected, it does not include the following information:

- prioritized listing of human resource risks specific to PSC
- detailed strategies (including necessary financial resources) to bridge identified gaps in human resource needs specific to its department including its projected future human resource needs (e.g., number, type, location of employees and required key competencies) for new and ongoing activities
- assignment of responsibility to specific PSC staff
- deadlines for the implementation of related major strategies

1. **We recommend the Public Service Commission revise its own human resource plan to include the following:**

- **a prioritized listing of human resource risks specific to PSC**
- **detailed strategies to bridge identified gaps in human resource needs specific to PSC**
- **assignments of responsibility and deadlines for implementing major strategies**

Agreement for information technology services needed

PSC needs an agreement with the Information Technology Office (ITO) for services it receives from ITO.

PSC relies on its information systems to operate. For example, its information systems track key human resource data including staffing actions, confidential employee personnel information, pay, and benefits.

PSC is responsible for the accuracy and completeness of information processed on its information systems and the security and ongoing availability of its key systems. Since March 2006, PSC uses ITO for certain information technology services.

A written agreement (commonly referred to as a service-level agreement):

- defines the roles and responsibilities of each party related to the provision of information technology services
- sets out the scope, level, and quality of services ITO is to provide to PSC
- helps ensure each party has a common understanding of the roles and expectations of each party
- provides a basis for monitoring performance of each party

At September 30, 2006, PSC had not yet signed such an agreement. A written agreement is essential so that the PSC can effectively monitor services ITO provides and take corrective or follow-up action as necessary such as adjustments to its processes or policies.

2. **We recommend that the Public Service Commission sign a service-level agreement with the Information Technology Office for information technology services.**

Leading human resource planning—a follow-up

The Government needs the right people, in the right jobs, at the right time to help it meet its strategic goals. This requires effective human resource planning. PSC and departments share responsibility for human resource planning. PSC and departments collaboratively identify strategic human resource issues. Together they develop action plans to address these issues and achieve goals and objectives.

Background

This section sets out PSC's actions to September 30, 2006 on two recommendations we made in Chapter 2 of our 2005 Report – Volume 1. The Standing Committee on Public Accounts of the Legislative Assembly agreed with these recommendations June 21, 2005.

In our 2005 audit of the adequacy of PSC's processes to lead human resource planning across departments, we concluded the following. At October 31, 2004, PSC had adequate processes to lead human resource planning across departments except for processes to identify a manageable number of priorities and analyze human resource risks.

Guide human resource planning

Consistent with the 2005 audit, PSC identified many broad human resource issues. It communicated these to departments through a human resource plan that covered all departments. We noted that departments had limited resources to address the many issues set out by PSC.

PSC, in collaboration with departments, prepares both a multi-year plan (i.e., Human Resource Plan for the Saskatchewan Public Service 2006-2010) and an annual plan (i.e., PSC's 2006-07 Performance Plan). At September 2006, the multi-year plan was not yet finalized. PSC makes both plans available directly to departments and to the public on its website at www.gov.sk.ca./psc.

These plans contain:

- high-level goals that show the outcomes that the plans are intended to achieve

- objectives that contribute to achievement of the top-level goals
- key actions for both PSC and for departments

The key actions set out areas of focus for PSC and departments. The annual human resource plan contains significantly fewer key actions for departments than the previous plan. This reduces the number of priorities for departments in the near term. The draft multi-year plan contains a similar number of priorities as the previous multi-year plan.

During 2005-2006, PSC restructured and set up a group to provide itself and five other departments with human resource services directly. These changes should increase the capacity of smaller departments to plan effectively for human resources, including meeting multiple priorities.

We continue to recommend that PSC communicate to departments a manageable number of human resource priorities, particularly those priorities relevant to the next five years.

Manage human resource risks

In 2005, we found that PSC used a range of methods to obtain information about risks affecting human resources. At that time, PSC did not use a formal process to analyze risks and decide what levels of risk to tolerate to achieve desired results. We recommended that the Public Service Commission use a risk management framework to identify and analyze human resource risks and set acceptable risk levels.

During 2005-06, PSC developed a risk management framework. The framework draws on international standards. It includes processes to systematically identify and analyze human resource risks. The framework also includes processes to set acceptable risk levels (that is, to identify what levels of remaining risk it is prepared to tolerate).

At September 2006, the risk framework is not yet fully implemented. PSC has introduced the risk framework to departments and trained departments on its use. Departments are using the risk framework in their human resource planning. PSC expects to apply the framework to its human resource planning across departments. We continue to recommend that it do so. Use of the framework will help PSC analyze human resource risks and decide what levels of risk can be tolerated to achieve desired results.

Liquor and Gaming Authority

8

Part A – Liquor and Gaming Authority 233

Part B – Saskatchewan Indian Gaming Authority Inc. 249

This page left blank intentionally.

Liquor and Gaming Authority

8A

Main points 234

Introduction 235

Our audit conclusions and findings 236

- Better control over bank accounts needed 236
- Security policies for information technology (IT) needed 237
- Business continuity plan needed 238
- Employees need better training and direction 239
- Compliance with established policies needed 239

Succession planning 240

- Our audit objective 241
- Our criteria 241
- Our conclusion 242
- Key findings and recommendations (by criterion) 242
  - Support long-term strategic direction 242
  - Evaluate human resource capacity against needs 243
  - Design strategies to address competency gaps 245
  - Monitor and evaluate progress 247

Selected references 248

Main points

Succession planning is critical to ensure an effective workforce is ready to assist the agency to achieve its objectives. We report that the Liquor and Gaming Authority (Liquor & Gaming) needs to document and communicate potential competency gaps, document employees' career goals and action plans, and document and monitor the progress of its succession strategies.

We also report that Liquor & Gaming needs to better control its bank accounts. In addition, Liquor & Gaming needs to prepare a business continuity plan and ensure its employees understand and comply with the code-of-conduct and conflict-of-interest policies.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate beverage alcohol and the gaming industry in the Province.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos.

Under *The Criminal Code of Canada*, only governments can own and manage slot machines. Saskatchewan Gaming Corporation, a Crown corporation, operates slot machines in its casinos in Regina and Moose Jaw. Also, the Government uses SIGA to operate the slot machines at four casinos throughout Saskatchewan under Liquor & Gaming's direction. Liquor & Gaming signed a Casino Operating Agreement with SIGA. Under the Casino Operating Agreement, the revenues from the slot machines belong to Liquor & Gaming. The Casino Operating Agreement expires on June 11, 2027.

SIGA must also follow policies that Liquor & Gaming approves for incurring casino operating expenses. Liquor & Gaming allows SIGA to deduct expenses that comply with the approved policies from the slot machine revenues. Accordingly, SIGA's expenses that comply with the approved policies are Liquor & Gaming's expenses. Liquor & Gaming includes those revenues and expenses in its financial statements.

In 2005-06, Liquor & Gaming had revenues of $745 million, expenses of $394 million, and net income of $351 million. At year-end, Liquor & Gaming held total assets of $165 million and had an accumulated deficit of $0.8 million. Liquor & Gaming's *Annual Report 2005-06* includes its financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **Liquor & Gaming's financial statements are reliable**

In this chapter, we also include the results of our audit of Liquor & Gaming's succession planning processes.

Better control over bank accounts needed

Liquor & Gaming needs to follow its rules and procedures to control its bank accounts.

Liquor & Gaming's procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation and review of recorded bank balances to the bank's records provides a check that all charges to the bank accounts are proper, and all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of Liquor & Gaming's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money promptly.

Employees did not prepare and approve timely bank reconciliations for the first nine months of the year. During the last three months of the year and at year-end, Liquor & Gaming reconciled all bank balances to the bank records and management approved these reconciliations on a timely basis.

We reported this matter in our 2005 Report –Volume 3 and our past reports. The Standing Committee on Public Accounts (PAC) considered this matter in June 2004 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Security policies for information technology (IT) needed

Liquor & Gaming needs to establish IT security policies and procedures.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. For example, good security processes ensure only authorized people can access an IT system. Without adequate IT policies and procedures, employees may not know the rules to protect Liquor & Gaming's systems and data. Also, management may not know if it has addressed all the threats and risks to Liquor & Gaming's security. An IT strategic plan can help management do so.

In 2003, Liquor & Gaming drafted an IT manual that includes IT security policies and procedures. During the year, staff revised these IT security policies and procedures. Liquor & Gaming's staff also prepared a draft IT strategic plan for 2006-07. At March 31, 2006, management and the Board had not approved the plan or the policies and procedures.

Liquor & Gaming's Board should do so and communicate the approved IT plan, and policies and procedures to all employees. Liquor & Gaming should then begin monitoring compliance with these IT policies and procedures.

We reported this matter in our 2005 Report – Volume 3. PAC considered this matter in May 2006 and agreed with our recommendations.

We continue to recommend that the Board of Directors of Liquor & Gaming approve the information technology strategic plan.

We continue to recommend that the Board of Directors of Liquor & Gaming approve the information technology policies and procedures.

Management informed us that the Board approved the IT strategic plan in June 2006. Management also informed us that in June 2006 it approved the IT policies and procedures and presented the approved policies to the Board.

Business continuity plan needed

Liquor & Gaming needs a written, tested, and approved business continuity plan[1] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

Liquor & Gaming delivers a number of programs and services to the residents of Saskatchewan as part of its mission and mandate. It must carry out its mandate even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, Liquor & Gaming is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

- have management support including making the required resources available to create and maintain the business continuity plan
- be based on a threat and risk assessment including identifying and ranking Liquor & Gaming's critical functions
- set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- be documented, approved by management, and easily accessible when the plan needs activation
- be tested initially and on an ongoing basis
- set out policies for ongoing maintenance and updating of the plan

Liquor & Gaming does not have a complete and tested business continuity plan. However, it has developed some procedures for some of its critical business functions (e.g. backup processes for data). During the year, Liquor & Gaming began the important step of developing a threat and risk assessment for its critical IT functions.

---

[1] **Business Continuity Plan** – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions including normal operation of a computerized system (also known as Contingency Plan or Disaster Recovery Plan). A contingency plan is only one component of the Business Continuity plan.

We reported this matter in our 2005 Report – Volume 3. PAC considered this matter in May 2006 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming prepare and the Board of Directors approve a complete business continuity plan.

Employees need better training and direction

Liquor & Gaming needs to provide better training and direction to employees to help establish a culture of fraud awareness.

Many agencies provide fraud awareness training to their employees. Fraud awareness training would help Liquor & Gaming in fostering a culture of fraud awareness. It would also help employees in detecting and preventing internal and external frauds.

We reported this matter in our 2005 Report – Volume 3. PAC considered this matter in May 2006 and agreed with our recommendation.

Liquor & Gaming improved its employee-training program relating to assigned tasks and the importance of doing these tasks properly and promptly. At March 31, 2006, Liquor & Gaming had designed fraud-awareness training materials but had not provided training to employees. Liquor & Gaming told us it will provide fraud awareness training to its employees in 2006-07.

We continue to recommend Liquor & Gaming train its employees to help establish a culture of fraud awareness.

In September 2006, management informed us that Liquor & Gaming has now completed fraud awareness training for certain employees.

Compliance with established policies needed

Liquor & Gaming needs to ensure employees understand and comply with the established code-of-conduct and conflict-of-interest policies.

Liquor & Gaming has established a code-of-conduct and conflict-of-interest policies. Those policies require employees to work for the best interest of Liquor & Gaming. Liquor & Gaming requires its executive officials to sign a checklist confirming that they understand and abide by the code-of-conduct and conflict-of-interest policies. However, it has not set out a process to ensure that all other employees understand and abide by these policies.

We reported this matter in our 2005 Report – Volume 3. PAC considered this matter in May 2006 and agreed with our recommendation.

During the year, Liquor & Gaming developed a policy requiring all employees to sign a declaration indicating they understand the code-of-conduct and conflict-of-interest policies. Liquor & Gaming told us that it plans to begin obtaining these declarations from employees in 2006-07.

We continue to recommend that Liquor & Gaming require all employees to confirm they understand and comply with its code-of-conduct and conflict-of-interest policies.

In September 2006, management informed us that all full-time employees of Liquor & Gaming have now completed a code-of-conduct declaration form.

Succession planning

At December 31, 2005, Liquor & Gaming had 910 employees in 64 communities throughout Saskatchewan. Almost 700 of Liquor & Gaming's employees are employed in the distribution of beverage alcohol and over 200 head office employees are involved in the distribution, control, and regulation of liquor and gaming industries in Saskatchewan. Nearly 90% of employees are unionized.[2] Forty-nine percent of Liquor & Gaming's employees are over the age of 45 and 31% are over the age of 50.

Succession planning is part of overall human resource planning. It addresses the risk of changing demographics, the unpredictability of workforce impacts such as short and long-term leaves of absence, and the increasing competition for human resources. Effective agencies use succession planning to help them ensure they have the right people, with the right skills, at the right time. It is a process requiring attention from legislators, managers, and employees and not left solely to the human resource function.

---

[2] Saskatchewan Liquor & Gaming Annual Report 2004-05

Succession planning requires an agency to assess its key competency needs based on its long-term strategic direction. Key competencies needed to sustain an agency include management, operational, technical, administrative, and leadership knowledge and skills. Untimely loss of key employees may create weak links in critical systems and significantly affect the ability of an agency to achieve its objectives.

Succession planning at Liquor & Gaming is critical to ensure an effective workforce is ready to help achieve its objectives. Without employees with the required skills, Liquor & Gaming's risk of not achieving its objectives increases. To ensure an effective workforce, Liquor & Gaming needs to recruit and retain people with the required skills and create opportunities for employee career development. Also, as a Crown corporation, Liquor & Gaming is responsible to build a representative workforce and engage youth in the workplace.

Our audit objective

The objective of our audit was to assess whether Liquor & Gaming had adequate succession planning processes at March 31, 2006.

Our criteria

To assess the adequacy of the Liquor & Gaming's processes, we used the criteria summarized in the Exhibit below. To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We developed the criteria based on our review of the relevant literature, international practices, and the work of other legislative audit offices. Liquor & Gaming agreed that the criteria (our expectations) were reasonable and attainable. Our key findings include our expectations in more detail (*in italics*) for each criterion.

Exhibit – Audit Criteria

Liquor and Gaming's succession planning processes should:

1. support long-term strategic direction
2. evaluate human resource capacity against needs
3. design strategies to address competency gaps
4. monitor and evaluate progress

Our conclusion

At March 31, 2006, Liquor & Gaming had adequate succession planning processes except Liquor & Gaming needs to:

- **establish a process to document and communicate potential competency gaps**
- **incorporate documented employees' career goals and action plans into its staff performance and development process**
- **document and monitor the progress of its succession strategies**

Key findings and recommendations (by criterion)

Support long-term strategic direction

To support long-term strategic direction, we expected Liquor & Gaming to:

- *align succession planning with long-term strategic direction through human resource strategies*
- *keep overall succession planning strategies transparent*

Liquor & Gaming has aligned its human resource strategies that support succession planning with its long-term strategic direction. Liquor & Gaming has identified human resource strategies to retain employees, develop skills, and create a representative workforce to support and address demographic challenges and planned corporate initiatives. For example, Liquor & Gaming strategies include harassment and violence awareness training, conducting employee satisfaction surveys, developing an in-scope classification plan, and setting targets for a representative workforce. These strategies support Liquor & Gaming's vision to become an employer of choice.[3]

Liquor & Gaming does a good job of providing information about its succession planning strategies to its employees. For example, Liquor & Gaming communicates its employment equity strategy to employees on an ongoing basis and in a variety of ways. It uses information workshops across the Province to outline the objectives of the employment equity strategy. In addition, it distributes posters and publishes articles in the employee newsletter, *The Winning Spirit*. Also, job opportunities are made available to all employees via email.

Evaluate human resource capacity against needs

To evaluate human resource capacity against needs, we expected Liquor & Gaming to:

- *identify key competencies to meet current and future demand*
- *assess key competencies available in the current workforce*
- *analyze gaps in capacity*
- *communicate gaps*

Key competencies are the knowledge, skills, and behaviours essential to perform jobs that keep an agency operational. Liquor & Gaming adequately identified competencies it expects to meet current and future demand for all in-scope positions[4]. In 2004, Liquor & Gaming reviewed and reclassified all in-scope positions. This included a review of job requirements including responsibilities, skill, effort, knowledge, and working conditions.

Liquor & Gaming is developing key competencies for all out-of-scope positions using the Saskatchewan Public Service Management Classification Plan (MCP). Liquor & Gaming told us it expects to complete and roll out its MCP in early 2007.

---

[3] 2006-2007 Saskatchewan Provincial Budget, Performance Plan, Saskatchewan Liquor and Gaming Authority. pg 7

[4] Liquor & Gaming employees in a union are in-scope.

Assessing the supply of key competencies is done to some extent throughout Liquor & Gaming. The Human Relations Division maintains workforce statistics related to retirements, turnover, and employment equity. Its division heads (vice presidents and executive directors) maintain open lines of communication with their employees and are generally aware of impending retirements within their divisions. In many cases where retirements are anticipated, division heads have informal plans to develop candidates with required competencies. However, Liquor & Gaming needs to complete its documentation of future competency needs and formally document potential gaps throughout the agency to help it determine how to address the gaps.

In the past, Liquor & Gaming has informally identified competency gaps and has strategies to address those gaps. For example, when it identified a knowledge gap between store managers and regional managers, it developed an Assistant Regional Manager Program. It created the assistant regional manager position and an assistant regional manager development plan to address the gap. The Assistant Regional Manager Program has provided 12 individuals with the opportunity to obtain leadership training, mentorship opportunities, and exposure to organization-wide processes, issues, and challenges.

Liquor & Gaming uses various methods to communicate competency gaps throughout the agency. For example, the vacancy posting process lists the skills and knowledge required for vacant positions and the employee intranet indicates the degree of employee diversity in the current workforce. When Liquor & Gaming has fully documented the required key competencies, it should formally identify potential competency gaps and ensure its employees are aware of those gaps. An inability to access information about potential competency gaps within all divisions may impede employees' career and professional development action plans. Also, Liquor & Gaming may not have staff with the necessary competencies to achieve its objectives.

1. **We recommend that the Liquor and Gaming Authority document and communicate potential competency gaps.**

Design strategies to address competency gaps

To adequately design strategies to address competency gaps, we expected Liquor & Gaming to:

- *develop skills and opportunities for career development*
- *transfer knowledge*
- *recruit candidates with key competencies*
- *retain staff*

Liquor & Gaming provides its employees with adequate opportunities for career development. Opportunities are available for job-related training and for academic and professional development. For example, all full-time employees and certain part-time employees can access funding for training. Liquor & Gaming's programs that support employee development include the Lead Management program and Introduction to Leadership program. Although Liquor & Gaming has established policies to support employee development, it has not aligned these policies with potential competency gaps, future opportunities within the agency, and employees' career goals.

Identifying opportunities for career development and planning to address those gaps is a collaborative process between employee and manager. Liquor & Gaming sometimes documents and identifies opportunities for career development during employees' performance evaluations or through informal discussions with managers and employees. However, it does not always document employees' career plans or discussions with employees about their career interests and plans. As a part of its staff performance management process, Liquor & Gaming should ask all employees to set out their career goals and action plans to achieve those goals.

Liquor & Gaming encourages the transfer of knowledge through temporary assignments and special projects work. When Liquor & Gaming identifies special projects or temporary assignments, it requires its employees to submit expression of interests in the projects or assignments. Temporary assignments help prepare employees to take on different and greater responsibilities.

Liquor & Gaming is able to recruit candidates with required competencies through various methods. The 2006-07 Performance Plan identifies the agency's vision to become an employer of choice.[5] This vision is supported through strategies related to recruitment, compensation, and human resource policies that contribute to a positive work environment. Liquor & Gaming is able to select from many candidates for most of its vacancies. For example, liquor stores attract strong candidates for entry-level positions such as customer service representatives. Liquor & Gaming offers wages and benefits it considers competitive for this group of employees to ensure the positions are attractive to workers within the retail sector.

Liquor & Gaming has noticed changes in available candidates for some hard to recruit specialized positions such as designated accounting professionals and information technology professionals. It has addressed this challenge in a variety of ways including expanding its search for candidates to other jurisdictions and making sure its salaries remain competitive.

Liquor & Gaming uses several strategies to encourage employee retention. These include providing health care benefits and offering an employee and family assistance program. In addition, Liquor & Gaming told us it works cooperatively with its employees' union. This contributes to employee retention through a positive working environment.

Liquor & Gaming also provides part-time store employees in Regina, Moose Jaw, Saskatoon, and Prince Albert with opportunities to work additional hours at different store locations. Liquor & Gaming provides such opportunities for part-time employees so they can earn more seniority, gain additional seniority hours, and move from part-time to full-time sooner. Liquor & Gaming told us that moving employees from part-time to full-time sooner, helps retention within the store system.

2. **We recommend that the Liquor and Gaming Authority document employees' career goals and action plans as part of its staff performance and development process.**

---

[5] Performance Plan 2006-2007 Saskatchewan Provincial Budget, Performance Plan, Saskatchewan Liquor and Gaming Authority. pg 24

Monitor and evaluate progress

To adequately monitor and evaluate progress, we expected Liquor & Gaming to:

- *report on progress to address gaps*
- *adjust plans to address gaps*
- *evaluate impact on human resource strategies*

Liquor & Gaming has processes to gather information to address competency gaps. The Human Relations Division maintains and monitors retirement statistics and historical trends related to turnover. Liquor & Gaming provides to the Board of Directors regular updates relating to succession planning strategies including human resource policy reviews and employee survey results. The Human Relations Division also maintains statistics relating to employment by equity groups and number of employees who received cultural awareness training. However, it does not fully document and monitor progress of all succession plan strategies. Liquor & Gaming needs to do so to ensure it has employees with necessary competencies to address demographic challenges it identified in its environment scan.

Liquor & Gaming adjusts its plans to address any identified gaps and evaluates the impact on other human resource strategies when developing and implementing a necessary strategy. For example, it developed the assistant regional manager position and associated development program because of an identified potential gap at the regional manager level. However, some areas of Liquor & Gaming, like regulating liquor, are at risk due to upcoming retirements and succession strategies that are not clearly documented and monitored.

3. **We recommend that the Liquor and Gaming Authority document and monitor the progress of its succession strategies.**

Selected references

Australian National Audit Office (June 2005). *Workforce planning Canberra*, Australia: Author.

Australian National Audit Office (2001). *Better practice guide: Planning for the workforce of the future*. Australia: Author

Catalyst. (August 2005) Exploding generation myths. *Journal of Accountancy 200(2)*, 38-40.

Government Accounting Office (March 2002). *Model of strategic human capital management*. Washington, D.C.: Author.

Government Accounting Office (March 2000). *Human capital: Managing human capital in the 21st century*. Washington, D.C.: Author.

Hoj, J. & Toly, S. (September 2005). *Labour market impact of rapid aging of government employees: some illustrative scenarios*. Geneva: Organization for Economic Co-operative and Development.

Molinaro, V. & Weiss, D. (2005). Closing the leadership gap. *CMA Management 79(5)*, 21-23.

Morton, L., Foster, L., & Sedlar, J. (2005). *Managing the mature workforce: Implications and best practices*. Ottawa: Conference Board of Canada.

Saskatchewan Indian Gaming Authority Inc.

8B

Main points 250

Introduction 251

Background 252

Our audit conclusions and findings 253

Controls to safeguard public resources 254

- Effective guidance to employees 254
  - Marketing and promotion 255
  - Information technology (IT) 255
- Ensuring compliance with established policies 256
  - Travel and business expenses 257
  - Marketing and promotion 257
  - Accounting 258
- Monitoring performance 259
  - Strategic and business plan 259

Building human resource capacity 260

- Complete and implement a human resource plan 261
- Ensure compliance with established human resource policies 262
- Managing staff retention risks 262
- Effectiveness of training activities 263

Project management processes 263

- Background and significance 263
- Audit approach and criteria 265

Exhibit 1 266

Main points

In this chapter, we report the results of our audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2006 and our follow-up on SIGA's processes to build human resource capacity. We report that SIGA continues to make progress to safeguard public resources.

By the year-end, SIGA had fully implemented 70% of our past recommendations, partially implemented 27% of those recommendations, and continued to work on the one remaining recommendation.

SIGA also continues to work on building its human resource capacity. It needs to improve its human resource plan by projecting its future human resource needs and determining gaps between resources needed and access to these resources. Management also needs to provide the Board information on the effectiveness of its training activities.

In this chapter, we also describe our plan to examine SIGA's project management processes for the Dakota Dunes Casino project.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has licensed SIGA to operate four casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, and Bear Claw.

All casinos are located on First Nation reserves. Northern Lights Casino is located in Prince Albert, Gold Eagle Casino in North Battleford, Painted Hand Casino in Yorkton, and Bear Claw Casino on the White Bear First Nation. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

Liquor & Gaming has licensed SIGA to conduct and manage table games. Under the licences, SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor & Gaming owns the slot machines located in SIGA's casinos. The revenue from the slot machines belongs to Liquor & Gaming and is, therefore, public money.

Table 1 summarizes results of SIGA's casino operations. The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants, and lounges). The Table shows the net casino profits that SIGA made for Liquor & Gaming during the last five years.

Table 1 – Net profits (in $000) from SIGA operated casinos

Segment	2006	2005	2004	2003	2002
Slot operations	$ 43,653	$ 36,641	$ 35,843	$ 32,146	$ 26,855
Ancillary operations	(2,593)	(2,354)	(1,976)	(1,742)	(1,400)
Table operations	(902)	(332)	(687)	(1,036)	(620)
Net profit	$ 40,158	$ 33,955	$ 33,180	$ 29,368	$ 24,835

Table 1 shows that since 2002 the net profits from slot operations increased by about $17 million. The net profits from slot machines increased because during the last five years, Liquor & Gaming installed more slot machines in SIGA casinos. Slot machines in SIGA casinos increased from 620 in 2002 to 995 in 2006. The total slot machine revenue increased from $68 million in 2002 to $105 million in 2006. SIGA's slot machine expenses increased from $41 million in 2002 to $61 million in 2006.

Background

In February 1995, the Government of Saskatchewan and the FSIN signed the 1995 Framework Agreement (Agreement). The Agreement permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Agreement expired, and on June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027.

To implement the 1995 Framework Agreement, Liquor & Gaming and SIGA also signed the 1995 Casino Operating Agreement. The 1995 Casino Operating Agreement expired with the 1995 Framework Agreement. On June 11, 2002, Liquor & Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement[1]) effective from June 11, 2002 to June 11, 2027.

SIGA currently operates four casinos under the 2002 Casino Operating Agreement. Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos as required by *The Criminal Code of Canada*.

Liquor & Gaming expects SIGA to propose spending and casino operating policies for Liquor & Gaming's approval. Under the 2002 Casino Operating Agreement, SIGA is entitled to deduct the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming, from slot machine revenues. SIGA must deposit the remainder into a trust account for Liquor &

---

[1] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

When Liquor & Gaming determines that any expenses that SIGA has incurred are not reasonable (i.e., expenses that did not follow the approved policies and directives), it may recover such expenses from future amounts due to the First Nations Trust Fund[2] because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations people bear the cost when SIGA incurs unreasonable expenses because SIGA belongs to them.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming. In addition, SIGA's members have appointed the Provincial Auditor as SIGA's auditor.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**
- **SIGA's financial statements are reliable**

In this chapter, we also include the results of our follow-up on SIGA's progress towards addressing our recommendations relating to its processes to build human resource capacity.

In addition, we describe our plan to examine in depth SIGA's project management processes for the Dakota Dunes Casino project.

---

[2] First Nation Trust Fund established under the 2002 Framework Agreement receives and distributes all gaming revenues for and on behalf of FSIN.

Controls to safeguard public resources

In our past reports to the Legislative Assembly of Saskatchewan (Legislative Assembly), we made several recommendations to strengthen SIGA's processes to safeguard public resources. SIGA accepted our recommendations. SIGA has made progress towards implementing our recommendations. SIGA has improved its practices considerably over the last few years.

By March 31, 2006, SIGA had addressed most of our recommendations. It had fully implemented 70% of our past recommendations, partially implemented 27% of those recommendations, and it continues to work on one remaining past recommendation. We summarize the status of our past recommendations in Exhibit 1 at the end of this chapter.

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to their employees. Second, they require management to establish processes to ensure employees follow the guidance provided in carrying out their tasks. Third, they monitor how well they are progressing towards achieving their established goals.

During the year, SIGA continued to make progress, but some work remains. We describe briefly what SIGA must do to provide effective guidance to its employees, ensure its employees follow the guidance provided, and monitor how well it is progressing towards achieving the established goals and objectives.

Effective guidance to employees

In our 2005 Report – Volume 3 to the Legislative Assembly and our past reports, we said SIGA needed to document and communicate all policies to its employees. Documented policies provide employees ready guidance to understand and follow the policies. SIGA still has not fully documented and communicated policies in some significant areas.

SIGA needs to establish and document policies in two very important areas of its operations and communicate those policies to its employees. We describe those areas below.

Marketing and promotion

In 2006, SIGA spent approximately $7.3 million (2005-$7 million) for marketing and promotion. Marketing and promotion includes advertising, complimentary goods/services, promotional merchandise, entertainment, and public relations.

Since 1999, we have recommended that SIGA needs to establish policies for marketing and promotion. SIGA has not yet fully done so. SIGA has not established and Liquor & Gaming has not approved policies to control spending on public relations events such as cultural events. Such policies should set out what supporting documents employees must provide for seeking approval for such events, who has the authority to approve such events, who can attend such events, and why.

Every year, SIGA establishes and Liquor & Gaming approves a budget for marketing and promotion. Because SIGA has not yet established and Liquor & Gaming has not approved some policies for spending on public relations events, employees do not know what they must achieve with the resources provided. As a result, there is a risk that they may use those resources inappropriately or may not use them at all.

We also reported this matter in our 2005 Report – Volume 3 to the Legislative Assembly and prior reports. The Standing Committee on Public Accounts (PAC) considered this matter in May 2003 and agreed with our recommendation.

We continue to recommend that SIGA establish complete policies for marketing and promotion.

In September 2006, management told us that public relations is now part of Corporate Affairs rather than Marketing. Management also told us that it has some procedures to ensure appropriate approval and monitoring of public relations events and a formal policy over these events is currently being developed.

Information technology (IT)

In our 2005 Report – Volume 3 to the Legislative Assembly, we made the following recommendations:

- management should review and the Board approve an information technology strategic plan
- SIGA's Board should approve the information technology policies and procedures

SIGA staff have prepared a draft IT strategic plan. However, senior management and the Board have not yet reviewed the draft plan. Accordingly, senior management and the Board do not know if the draft IT strategic plan has addressed all the risks and threats.

SIGA has not yet established adequate IT security policies and procedures to ensure the confidentiality, integrity, and availability of its information systems and data. Without adequate IT security policies, employees may not know the rules to protect SIGA's systems and data. Also, management may not know if it has addressed all the threats and risks to SIGA's security.

In 2004, SIGA's IT staff prepared a draft IT manual that includes IT security policies and procedures. However, not all employees use the draft manual because senior management has not approved and provided the manual to all staff. Nor has Liquor & Gaming approved the draft manual.

SIGA faces a challenge to complete these tasks because its senior manager responsible for IT left SIGA in January 2005. At the time of our audit, this position was still vacant.

We continue to recommend that management review and the Board approve an IT strategic plan. We also continue to recommend that management review and approve IT policies and procedures.

Ensuring compliance with established policies

In our 2005 Report – Volume 3 to the Legislative Assembly and our prior reports, we said SIGA must train its employees so that they follow the established policies to do their tasks. We recommended that SIGA should establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

PAC considered this matter in May 2003 and agreed with our recommendation.

Although SIGA has made progress during the year, it needs to do more. We describe below the significant areas where employees did not comply with approved policies.

Travel and business expenses

SIGA has established a travel and business expense policy that Liquor & Gaming has approved. The policy sets out authorized rates for meals, transportation, and hotels. Employees did not always comply with the approved travel and business expense policy. We found about 6% of the transactions did not comply with the approved policy.

For example, SIGA's travel policy requires employees to stay in standard rooms at non-luxury hotels at corporate rates unless there is evidence that standard accommodation was not available or a non-standard room was necessary. However, employees stayed in suites and/or non-standard rooms without evidence that standard accommodation was not available. Also, policies require prior approval of out-of-province travel and appropriate support for meal expenses in excess of approved rates. However, claims did not always have evidence of prior approval and appropriate support, but managers approved those claims for payment. Approval of transactions that do not comply with policies sends the message to employees that non-compliance with policies is acceptable.

Marketing and promotion

In 2006, SIGA spent approximately $7.3 million (2005-$7 million) for marketing and promotion.

SIGA has established various marketing and promotion policies that Liquor & Gaming has approved. However, employees did not always comply with the marketing and promotion policies. We found about 50% of the marketing and promotion transactions did not comply with the approved policies.

We describe below the significant areas where staff did not always comply with approved policies.

- SIGA's policies require management to prepare an annual marketing plan for the Board's approval by September 30 of the prior year. SIGA's management did not provide the 2005-2006 marketing plan to the Board until July 2005, some nine months later than what the approved policy required.

- The approved policies require SIGA to maintain adequate records of who received promotional items and why. Adequate records should clearly show the promotional items purchased, who received the items and why, and how many items remain in inventory. SIGA did not always comply with these policies. For example, SIGA made payments totalling nearly $46,000 to buy promotional items such as T-shirts, golf shirts, fleece jackets, and aprons. SIGA's records did not show how many items SIGA gave away, how many items remain, who holds those items and where.

- SIGA's promotion policy requires each casino to report regularly on its promotional activities. Casinos must prepare promotional proposals, including a cost-benefit analysis, and submit these proposals to central office for approval. Casinos must also prepare and submit an evaluation report upon completion of the proposed event. Casinos did not always prepare and submit required reports to central office. We found about 48% of the promotions did not comply with the approved policies.

- SIGA's bus tour policy requires casino general managers to pre-approve bus tour proposals. The policy also sets out the maximum value of coupons employees can give to bus tour patrons. Casinos did not always have proposals properly approved. In some instances, coupons given to tour bus patrons exceeded the maximum allowed under the policy. We found about 33% of the bus tour transactions did not comply with the approved policies.

Accounting

SIGA has established policies to control its bank accounts. However, staff did not comply with these policies. For example:

- Employees did not always agree all recorded bank balances each month to the bank's records (bank reconciliation) or did so late.

The established policy requires employees to prepare bank reconciliations for all bank accounts each month.

- SIGA's approved policy requires employees to explain cash overages/shortages exceeding $5. Employees, however, did not always fully explain the cash overages/shortages.

  Hospitality organizations including casinos often encounter differences between the cash on hand recorded in their accounting records and the actual cash on hand. Such differences (commonly known as cash overages/shortages) are normally unintentional human errors and/or machine errors. To ensure overages/shortages are not intentional, such organizations establish processes to ensure employees properly monitor, follow up, and resolve all overages/shortages.

We continue to recommend SIGA establish rules and procedures to ensure that employees comply with established policies.

We continue to recommend SIGA establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

Monitoring performance

Boards of Directors of well-managed agencies review and approve their agency's mission, vision, and strategies periodically and when major changes occur. SIGA's Board has approved SIGA's mission, vision, and strategies (strategic plan) and has determined goals and objectives for SIGA. Liquor & Gaming has also approved SIGA's strategic plan. Consistent with its strategic plan, SIGA also prepared and Liquor & Gaming approved SIGA's 2005-2006 business plan, marketing plan, and human resource plan. We commend SIGA for doing so.

Strategic and business plan

The Board monitors SIGA's performance towards achieving its established goals through the reports it receives from management and the internal auditor. The Board receives separate financial, operational, and human resource reports. The reports the Board receives are adequate.

However, the Board needs to receive a comprehensive report to show progress towards the detailed performance measures/targets as identified in the strategic and business plans.

We continue to recommend that SIGA's Board should define its performance reporting needs and communicate those needs to management for regular reporting.

We also reported this matter in our 2005 Report – Volume 3 to the Legislative Assembly and our prior reports. PAC considered this matter in May 2003 and agreed with our recommendation.

Management told us that they have considered this area as part of their business planning for next year.

Building human resource capacity

In our 2003 Report – Volume 3 to the Legislative Assembly, we examined SIGA's processes to build human resource capacity. We wanted to assess SIGA's human resource systems to build its human resource capacity.

We used the criteria listed in Table 2 to make our assessment. SIGA agreed that the criteria are reasonable and attainable.

Table 2-Audit criteria

To be adequate, SIGA's systems to build its human resource capacity should:

1. Align its human resource plan with the strategic plan and business and financial plan
2. Obtain a competent workforce (e.g., through recruitment, secondment, promotion, transfer)
3. Provide relevant learning opportunities
4. Retain a competent workforce

In 2003, we concluded that SIGA's human resource systems were not adequate to build human resource capacity.

We recommended that SIGA:

- complete and implement its human resource plan
- ensure its casinos consistently follow established human resource policies
- prepare and provide to the Board more information about how SIGA is managing its staff retention risks
- prepare and provide to the Board more information about the effectiveness of SIGA's training activities

PAC considered these matters in June 2004 and agreed with our recommendations.

Below, we describe the progress that SIGA made during the year ended March 31, 2006 in addressing our recommendations.

Complete and implement a human resource plan

In 2005, the Board approved a five-year human resource plan. We assessed the approved human resource plan (including related documents).

SIGA's human resource plan clearly sets out SIGA's human resource priorities. These priorities tie directly to SIGA's overall strategic plan. The plan also describes the human resource risks SIGA faces along with strategies to manage these risks.

SIGA has developed annual human resource work plans that describe key actions required to achieve the human resource strategies identified in the five-year plan. These work plans set out who is responsible to implement the strategies, the resources needed to implement the strategies, and the timetable for implementing the strategies.

However, SIGA has not included a projection of its future human resource needs (i.e., number, type, level, and location of employees) in its human resource plan. As a result, SIGA has not yet fully determined the gaps between resources needed to carry out SIGA's strategic direction with access to these resources.

SIGA has developed an Executive Succession Plan for key members of its executive team. This plan contains demographic information on the current executive team members, expected turnover, and required competencies for these positions. SIGA has not yet completed succession planning for other employees.

We continue to recommend SIGA complete and implement its human resource plan.

Ensure compliance with established human resource policies

SIGA uses its annual human resource work plans to assess requests to create new positions or to fill existing positions. SIGA has also implemented numerous human resource policies in the past two years. Included in these policies is guidance for staff to follow when filling positions. Employees followed established policies when filling positions. Accordingly, SIGA has fully addressed our recommendation to ensure compliance with established human resource policies.

Managing staff retention risks

As we said earlier, SIGA's Board has approved a five-year human resource plan including the risks involved in retaining a competent workforce and strategies to manage the risks. SIGA has also developed an Executive Succession Plan for key members of SIGA's executive team.

Management provides the Board with a monthly summary of human resource activities by each of the five human resource program areas. The report provides updates on some of the key items identified in the human resource plan. The reports include information on the total number of employees at each location, the number of First Nations, Métis and other employees, new hires, and staff turnover. The reports also compare the current and previous quarter's information.

Management has begun work on preparing a comprehensive report comparing actual results with the planned results as set out in the annual human resource work plans.

Effectiveness of training activities

In 2005-2006, SIGA conducted an overall assessment of training needs. Because of this assessment, SIGA developed an overall learning strategy. SIGA's learning strategy includes the training required by each staff level as well as specialized training employees require for working in certain areas. The strategy describes the objective of the course and the expected outcome. SIGA used this strategy to develop its annual training plan. SIGA's annual training plan includes a list of each course offered, the method of course delivery (i.e., internal versus external), level of employee participation, expected costs, and timing of the course.

Management provides monthly reports to the Board on human resource activities including staff training. However, these reports do not include information on the actual costs of the training. Nor did we find evidence of management reporting to the Board about the effectiveness of learning activities.

We continue to recommend management prepare and provide to the Board more information on the effectiveness of SIGA's training activities.

Project management processes

We plan to audit SIGA's project management processes for the Dakota Dunes Casino Project. The specific objective of our planned audit is to assess SIGA's project management processes for the Dakota Dunes Casino Project for the period from April 1, 2005 to August 31, 2007.

We describe below the background and significance of this audit and the criteria we plan to use to assess SIGA's processes. We plan to report the results of our audit in a future report.

Background and significance

In 2003, SIGA declared its intention to establish a casino in the Saskatoon area. SIGA determined that this casino would be located on the Whitecap Dakota First Nation near Saskatoon. In July 2004, the Government approved SIGA's plan to establish the Dakota Dunes Casino.

At the end of 2004, SIGA made an agreement with the Saskatoon Tribal Council (STC) for the construction and lease of a casino building on the Whitecap Dakota First Nation. The Agreement provides for STC to construct a building shell (i.e., base building before any interior finishing) and then lease the land and building to SIGA. SIGA is responsible to complete the leasehold improvements necessary to ensure the building is suitable for a casino operation.

Work on the Dakota Dunes Casino project site began in 2005. SIGA expects the building shell to be completed by the end of March 2007 and the interior finishing to be completed by the end of August 2007. SIGA expects the Dakota Dunes Casino to open in October 2007.

The Dakota Dunes Casino is a significant project for SIGA. The new casino will be approximately 80,000 square feet (approximately 7,430 square meters) and will have approximately 30 table games and 550 slot machines along with dining and entertainment facilities. The total budgeted cost for the project is just over $61 million. SIGA expects the casino to result in additional net income of approximately $18 million per year and create about 350 additional jobs for First Nations people and others. Many stakeholders have an interest in the project as SIGA's net profits are ultimately shared between the Government, the First Nations Trust Fund, and community development corporations.

Large construction projects are inherently risky. These risks fall into three broad categories:

Economic risks – e.g., cost overruns, access to financing
Capacity risks – e.g., availability of staff and contractors with needed capabilities, inadequate needs analysis
Construction risks – e.g. poor construction quality, changing project scope, safety, and environmental concerns

Sound project management processes can reduce these risks and increase the likelihood of a project's success.

Lessons learned from this audit could be useful for SIGA for its two other upcoming projects (a new casino in Swift Current and a replacement casino in Yorkton).

Audit approach and criteria

We will follow *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out our audit.

To assess SIGA's processes to manage the Dakota Dunes Casino Project, we plan to use the criteria set out in Table 3.

Table 3–Audit criteria

To have adequate project management processes for the Dakota Dunes Casino Project, SIGA should:

- a) establish requirements for the project
- b) monitor the status of the project
- c) address concerns

SIGA accepts the criteria as reasonable standards for assessing its processes.

Exhibit 1

Status of the implementation of our past recommendations as at March 31, 2006.

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
1. SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
2. SIGA should document and communicate to its senior management the goals and objectives of SIGA.	2000 Fall Report – Volume 2	2004 – 2007 Strategic Plan – March 2004	March 2004	✓		
3. SIGA's Board should establish an appropriate conflict-of-interest policy for Board members and management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
4. SIGA's Board should ensure all Board members and senior management comply with the established conflict-of-interest policy.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
5. SIGA should prepare a complete business and financial plan for its operations.	2000 Fall Report – Volume 2	2004-05 business plan – March 2004	March 2004	✓		
6. SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting. - Financial reporting - Performance reporting	2000 Fall Report – Volume 2	N/A	N/A	✓	✓	
7. SIGA should establish an independent internal audit function that should report directly to the Board.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
8. SIGA should report publicly through FSIN and Liquor & Gaming setting out SIGA's planned results and actual results.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
9. SIGA should make public through FSIN and Liquor & Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
10. SIGA's Board should establish appropriate delegation of authority rules for management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
11. SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.	2000 Fall Report – Volume 2	Senior Mgt. Wage Grid – May 2003, Cell phones and Vehicles – July 2003, various other policies – March 2004	December 2003 & March 2004	✓		
12. SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
13. SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.	2000 Fall Report – Volume 2	September 2003 & January 2004	December 2003 & February 2004		✓	
14. SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
15. SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.	2000 Fall Report – Volume 2	Marketing & promotion policies – March 2004 Sponsorship – N/A	March 2004 November 2000 Directive for sponsorship		✓	

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
16. SIGA should establish rules and procedures to ensure that only authorized persons can access its financial systems.	2001 Fall Report – Volume 2	N/A	N/A	✓		
17. SIGA should properly segregate the duties of its employees.	2001 Fall Report – Volume 2	September 2003	December 2003	✓		
18. SIGA should establish rules and procedures to ensure compliance with the Casino Operating Agreement.	2001 Fall Report – Volume 2	N/A	N/A		✓	
19. SIGA should incur only costs necessary to operate its casinos under the Casino Operating Agreement.	2002 Fall Report – Volume 2	N/A	N/A		✓	
20. SIGA should ensure the staff comply with the sponsorship policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
21. SIGA should establish rules and procedures to ensure that staff comply with its delegation of authority policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
22. SIGA should: -periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules; and -establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff.	2002 Fall Report – Volume 2	N/A	N/A	✓		
23. SIGA should comply with the terms and conditions of its gaming licence.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
24. SIGA should comply with its annual report policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
25. SIGA should amend its agreement with the internal auditor to allow us full access to the internal auditor's files and records.	2003 Report – Volume 3	N/A	N/A	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
26. SIGA should: -complete and implement its human resource plan; -ensure its casinos consistently follow established human resource policies; -prepare and provide to the Board more information about how SIGA is managing its staff retention risks; -prepare and provide to the Board more information about the effectiveness of SIGA's training activities.	2003 Report – Volume 3	N/A	N/A		✓	
27. SIGA should provide annual audited financial statements to Liquor & Gaming and the Director of the Corporation Branch in accordance with the 2002 Casino Operating Agreement and The Non-Profit Corporation Regulations 1997.	2004 Report – Volume 3	N/A	N/A	✓		
28. SIGA management should review and the Board approve an information technology strategic plan.	2005 Report – Volume 3	N/A	N/A			✓
29. SIGA should approve information technology policies and procedures.	2005 Report – Volume 3	March 2006	N/A – not yet approved		✓	

This page left blank intentionally.

Saskatchewan Gaming Corporation

9

Main points 272

Introduction 273

Our audit conclusions and findings 273

- Compliance with policies and procedures needed 274
  - Employees' performance evaluations 274
  - Code of conduct 274
  - Marketing promotions (promotions) 275
- Better human resource plan needed 275
- Better monitoring of slot machines needed 276
- Information technology plan needed 277

Project management system 278

- Our objective and criteria 279
- Our findings and recommendations 279
  - Criterion 1 – Maintaining management and stakeholder commitment 280
  - Criterion 2 – Tracking and reporting on the realization of the project's benefits 281
  - Criterion 3 – Project management practices and reports 282

Exhibit 2 - Project management framework 284

Selected references 285

Main points

In this chapter, we report the results of our audit of the Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2006 including SGC's project management processes.

We report that SGC needs to improve its human resource plan and promptly establish revised rules and procedures when it changes its systems. Also, SGC needs to follow its approved rules and procedures relating to marketing and promotion, confirmation of compliance with SGC's code-of-conduct, and completion of all employees' performance evaluations.

SGC implemented a new casino management system. We concluded that SGC had adequate project management processes to implement this system except that it needs to improve three things. First, it needs to improve project reporting to senior management and the Board. Second, it needs to monitor and track the achievement of the benefits it set out for the project. Lastly, it needs to document the results of testing the new systems and the follow up of all risks before the new systems become operational.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SGC.

Casino Regina is a full-service casino and entertainment centre. The casino has 788 slot machines, 34 table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has 207 slot machines and 6 table games.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2006 report net revenues of $94.6 million, expenses of $65.4 million, net income of $29.2 million, and assets of $72.7 million. *Saskatchewan Gaming Corporation-Annual Report, 2005-2006* includes SGC's consolidated financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter**

- **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

This chapter also includes the results of our audit of SGC's project management processes.

Compliance with policies and procedures needed

SGC's Board of Directors needs to ensure management and employees comply with established policies and procedures.

To help ensure they have effective controls to safeguard public resources, public agencies provide guidance to their employees. SGC's Board of Directors has established appropriate guidance for its employees to follow. However, employees did not always follow those policies as described below.

We also reported these matters in our 2005 Report – Volume 3 to the Legislative Assembly.

Employees' performance evaluations

SGC's performance evaluation policy requires supervisors to evaluate employees' performance annually. Performance evaluations help ensure employees perform their duties as expected. Senior management also needs this information to develop adequate training plans to help ensure the employees have the necessary competencies to do their assigned work.

Employees did not always follow the performance evaluation policy. Nearly 60% of the employees' files did not include completed performance evaluations.

Code of conduct

SGC's code of conduct policy sets out its shared ethical values and expectations concerning employee behaviour. The policy requires that, upon hiring and annually, employees complete a questionnaire (form). The employees confirm that they have read and understood the code of conduct and that they agree to abide by the code. Employees are expected to confirm this during their annual performance evaluation.

Because SGC did not complete annual performance evaluations for most of its employees, many employees did not complete the form and reconfirm their understanding of the code of conduct. Failure to complete the code of conduct form may indicate that employees are not aware of SGC's expectations concerning their behaviour. When employees do not know an agency's expectations, there is a risk that they may make inappropriate decisions or take inappropriate actions.

Marketing promotions (promotions)

SGC's promotions policy requires that all promotions be properly supported, approved, and adequately monitored. The approved policy specifically requires that:

- promotion proposals must contain required information and must be approved in accordance with the approved signing authority
- a timely and documented evaluation of each completed promotion event must be completed

Employees, however, did not always fully comply with all the approved policies. We found some promotion proposals were not complete and did not have a complete budget. Nor did these proposals document measurable targets. Also, employees did not always complete a post-event evaluation for all promotions. For example, 89% of proposals did not have an adequate post-event evaluation. Thirty-three per cent of those proposals had no post-event evaluation and 56% had incomplete evaluations. As a result, SGC could not determine if it achieved its objectives for all of its promotional activities.

1. **We recommend that the Saskatchewan Gaming Corporation comply with approved policies relating to employees' performance evaluations, code of conduct, and marketing promotions.**

Better human resource plan needed

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

SGC has prepared a human resource plan. The plan includes some information about SGC's key human resource risks, but it does not analyze or prioritize the identified risks (i.e., likelihood, nature, and consequences of risks).

Also, the plan does not identify SGC's future human resource needs to meet its goals and objectives. Because SGC has not completed a profile of its current workforce and has not determined its future human resource needs, it has not identified and analyzed shortfalls or surpluses of its human resources (gaps). Although the plan identifies a risk of human resource shortages because of gaming expansion and increased competition, it does not describe how SGC would address that risk. SGC could address that risk through succession planning. Succession planning would help ensure SGC has adequate human resources with relevant competencies to meet its future needs.

2. **We recommend that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps.**

Better monitoring of slot machines needed

SGC needs to strengthen its rules and procedures to ensure it receives and correctly records all slot machine revenues.

SGC has established processes to ensure it receives and records all slot machine revenues. It also has processes to ensure the integrity of games and safekeeping of public resources. Generally, employees of the slots, surveillance, and finance departments perform these processes.

During the year, SGC implemented a new slot machine operating system. We expected that SGC would establish and communicate revised rules and procedures when it implemented the new system. However, SGC did not promptly revise its control processes to reflect the new system.

For example:

- employees did not regularly analyze the actual and expected slot machine revenues and overall performance throughout the year

- surveillance employees did not complete appropriate checklists during their review of slot machine transactions for part of the year
- finance employees did not leave adequate evidence of their verification of slot machine revenue transactions for part of the year

Because SGC did not complete all the established procedures to monitor slot machine revenue, it does not know if it received all slot machine revenues during the year. As a result, we cannot determine if SGC had any loss of slot machine revenue during the year.

Lack of timely monitoring of revenues increases the risk agencies may not receive and record all revenues. The risk of loss of revenue is even higher in the gaming industry because the majority of transactions are cash.

3. **We recommend that the Saskatchewan Gaming Corporation promptly establish and communicate revised rules and procedures when it makes changes to its systems.**

Information technology plan needed

SGC needs to prepare an information technology (IT) strategic plan.

SGC operates in a highly computerized environment. Most of its gaming activities are controlled and monitored through electronic means.

An IT strategic plan would help ensure that management has addressed all the threats and risks to SGC's IT systems. Also, an IT strategic plan would help relevant employees to understand SGC's IT goals. When employees know the goals that an agency needs to achieve, they can contribute more effectively towards achieving those goals.

Management needs to prepare and document SGC's IT strategic plan and ensure the plan is consistent with SGC's overall strategic plan. Also, SGC's Board of Directors must approve the IT strategic plan. SGC should then communicate the approved IT plan to relevant employees.

We also reported this matter in our 2005 Report – Volume 3 to the Legislative Assembly and earlier reports.

Management told us that SGC has hired a new manager in the IT area who is starting to work on an IT strategic plan.

We continue to recommend that the Saskatchewan Gaming Corporation's Board approve an information technology strategic plan.

Project management system

In 2005, SGC began replacing its electronic gaming systems to allow for the use of Ticket in Ticket out (TITO) technology and for better customer service for slot machines and table games. With TITO technology, gaming patrons do not need coins. Instead, patrons can insert cash or a ticket in the slot machine. When patrons finish playing slot machines, the slot machine will print out a ticket that patrons can exchange for cash at the casino or insert into another slot machine.

SGC made an agreement with a gaming software supplier to provide a complete new casino management system (CMS). The CMS includes a slot machine system, table games system (including a table games accounting module), player club system (casino players' reward system), and data warehouse system (to gather, store, and analyze data).

SGC estimated that the cost for fully implementing the CMS would be $8 million. Accordingly, the CMS is a significant investment in information technology (IT). Large IT projects are inherently risky. Strong project management controls and processes can reduce these risks and increase the likelihood of a project's success. These controls can help ensure the project:

- is done on time (time management)
- is done on budget and includes all costs (cost management)
- meets SGC's and its clients' needs (scope management)
- uses quality standards including independent quality reviews (quality management)

We decided to examine SGC's project management processes so that the Legislative Assembly and the public know how well SGC is managing this significant project.

Our objective and criteria

Our audit objective was to assess whether SGC had adequate project management processes for the year ended March 31, 2006 to implement its new casino management system.

Exhibit 1 sets out the criteria that we used to audit SGC's project management processes to implement the CMS. We based the criteria on international standards, literature, and reports of other auditors (see selected references). We discussed the criteria with SGC's management. Management agreed that the criteria are reasonable and attainable.

Exhibit 1 - Audit criteria

To implement the project to replace its gaming systems, SGC should have:

1. adequate processes to maintain management and stakeholder commitment to the project
2. adequate processes to track and report on the realization of the project's benefits
3. adequate project management practices and reports

Adequate project management practices include integration management, scope management, time management, cost management, quality management, human resource management, communications management, risk management, and procurement management (see Exhibit 2 on page 284).

Our findings and recommendations

We found that SGC had adequate project management processes to implement CMS except for the matters covered by our recommendations below.

4. **We recommend that the Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors.**

5. **We recommend that the Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project.**

6. **We recommend that the Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow up of all risks before systems become operational.**

We describe below our detailed findings together with our expectations (in italics) for each criterion.

Criterion 1 – Maintaining management and stakeholder commitment

We expected SGC to have project management processes to obtain and maintain strong senior management commitment to the project. We expected senior management would:

- *ensure that the project fits within SGC's strategic plan*
- *be accountable for the success of the project*
- *establish a strong project team with adequate resources to carry out the project*
- *have clear communication and reporting throughout the project*

SGC has adequate processes to maintain management and stakeholder commitment except it needs to improve its management reporting and monitoring of the project. SGC prepared and provided progress reports to senior management and the Board. However, those reports did not clearly compare the actual and budgeted costs. Also, the reports included only the actual costs for the acquired items and services that have a future benefit (capital). The reports did not include the costs SGC incurred that were not of a capital nature. For example, the reports did not include costs for training, travel, information surveys, miscellaneous equipment, and supplies. Accordingly, the reports did not show the total costs of the project.

Also, progress reports to senior management and the Board did not show the impact of the significant changes the project team made to the project. For example, the project team decided not to implement a significant part of the originally approved project. The project team could not provide us with evidence of senior management's approval of the change and a revised budget. The reports continued to compare the actual cost of the revised project with the approved original budget. In addition, the project team provided senior management and the Board with an initial assessment of the project risks. However, progress reports to senior management and the board did not include an updated analysis of project risks.

To properly monitor the project, senior management and the Board need complete and accurate reports on the status of the project including an analysis of project risks. Without complete and accurate reports, senior management and the Board may not be able to take corrective action to help ensure the success of the project.

Criterion 2 – Tracking and reporting on the realization of the project's benefits

We expected SGC to:

- *have a process to quantify and track project benefits throughout the project and after implementation*
- *base these benefits on a strong business case that is consistent with its vision, strategic goals, and objectives*

The benefits outlined should be measurable and management should report regularly on the achievement of the benefits. The business case should outline the full costs of the project and compare the costs to the expected benefits. A project is not complete until the benefits are realized.

SGC did not have adequate processes to track and report on the realization of the project benefits. SGC outlined in its project plan (project charter[1]) the expected benefits of the project but did not set up a process to track and monitor the realization of the benefits. SGC did not specifically assign responsibility for monitoring the expected benefits. Also, because a number of the benefits outlined in the project charter did not include criteria for measuring those benefits, SGC may not be able to determine if it achieved the benefits.

As mentioned earlier, SGC did not track the full cost of the project. Without tracking all of the costs, SGC cannot determine if it has met the planned return on its investment over the period specified in the project charter.

---

[1] A Project Charter sets out project information such as the project's objective, team, budget, risks, benefits, and reporting structure.

The project team told us that the team plans to report to senior management on how well the project achieved the benefits set out at the start of the project.

We plan to follow up and report on SGC's progress on measuring, tracking, and reporting the benefits of CMS.

Criterion 3 – Project management practices and reports

We expected SGC to have good project management systems and practices to control the implementation of the project as outlined by the nine areas in Exhibit 2.

Good project management practices include planning and reporting progress against the plan. The project teams should collectively have the necessary experience, skills, and leadership to manage the project including managing risks and quality of work and communicating progress and successes. Good project management systems and practices help ensure that project teams meet deadlines, contain costs, and meet requirements.

SGC did not adequately develop and maintain a detailed project plan outlining the steps needed to complete the project. If management does not regularly update the project plan, it may not be able to assess if the project is progressing as planned. Also, an up-to-date project plan allows the project team to highlight issues and recommend corrective actions to address those issues. As mentioned on page 276, SGC did not promptly revise its control procedures for the new system. An adequate project plan could assist in ensuring that control procedures are revised for the new system.

As we mentioned earlier, the project team did not adequately monitor and track the project costs. Without complete and accurate cost information, it is difficult to assess if the project is on budget.

The CMS project team structured the project in a way to allow staggered implementation of the new system. This gave the project team sufficient time to resolve any significant problems or issues before beginning to implement the next part of the project. The project team also planned for the new system to become operational at a date that was not critical. This allowed the team to make any necessary changes in the event that issues arose during the implementation. The team decided to delay the implementation of one part of the system. However, the team did not reflect this decision in the reports that compared the actual costs to the budget which were provided to senior management and the Board.

Quality management helps ensure projects are completed on time, on budget, and meet user needs. Quality management also helps ensure resolution of all issues and testing and implementation of the new system.

Good project management practices would include tracking and monitoring issues and problems that may arise during the life of the project. Such practices would include processes to prioritize the issues identified and their resolution before the system becomes operational. Although SGC's project team documented many issues using several different methods, the project team could not provide us evidence that it resolved all identified issues before it implemented the new system. Nor did the team show us evidence of testing of all aspects of the new system before the system became operational. Lack of documented evidence increases the risk that SGC may not know if the system will operate properly.

SGC developed a communication plan for the project. However, it did not do all the tasks outlined in the plan or document the reasons why it did not carry out those tasks. SGC did not assign anyone the specific responsibility for the communication plan relating to the new system. Lack of adequate and timely communication to users and stakeholders can affect the success of a project. For example, employees can become frustrated over the change to the new system unless they are aware of the change and support those changes.

Large projects are inherently risky. Good project management practices require that management identify possible risks and set out processes to regularly monitor and mitigate those risks. While the approved project charter identified possible risks, SGC did not set up a process to regularly monitor and mitigate those risks.

Exhibit 2 - Project management framework

The three general criteria of a strong project management climate are:

- management commitment to the project
- the project's ability to achieve its objectives and benefits
- good project management systems and practices

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria.

1. *Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.

2. *Scope management* – the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

3. *Time management* – the processes to plan, schedule, and control the project's activities to help get the project done on time.

4. *Cost management* – the processes to plan, estimate, and control the project costs.

5. *Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

6. *Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

7. *Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

8. *Risk management* – the processes to identify, evaluate, plan, and respond to risks.

9. *Procurement management* – the processes to decide what to contract; for tendering and selecting the best contractor; and negotiating, managing and closing the contract.

Selected references

Davidson, A. F.F., Gellman, H.S., and Chung, M., (1997). *Riding the tiger.* Toronto, Canada: HarperCollins Publishers Ltd.

Hammer, M. (1996). *Beyond reengineering – How the process centered organization is changing our work and our lives*. New York, New York: HarperCollins Publishers Inc. (borrowed from SaskPower and returned)

Hammer, M. (2001). *The agenda-What every business must do to dominate the decade*. New York, New York: Three Rivers Press.

Information Systems Audit and Control Foundation IT Governance Institute (July 2000). CobiT: *Governance, Control and Audit for Information and Related Technology 3rd Edition*. Rolling Meadows, Illinois: Information Systems Audit and Control Foundation.

Kendall, G. I. and Rollins, S. C. (2003) Advanced Project Portfolio Management and the PMO: Multiplying ROI at Warp Speed. Boca Raton, Florida: J. Ross Publishing.

Kotter, J. P., (1996). *Leading change*. Boston. Mass.: Harvard Business School Press.

Kotter, J.P., (March-April 1995) *Leading change: Why transformation efforts fail*. Harvard Business Review, p.59 – 67.

Project Management Institute. PMI Standards Committee. (2004). *A Guide to the Project Management Body of Knowledge*. PMBOK® Guide. Third Edition Newtown Square, Pennsylvania: Project Management Institute.

United States. Department of Defense. (April 1997). *The Program Manager's Guide to Software Acquisition Best Practices: Version 2.0*. [Arlington, Virginia: Software Program Managers Network.]

This page left blank intentionally.

Property Management

10

Main points **288**

Introduction **289**

Audit conclusions and findings **290**

  Better monitoring of procurement cards needed 290

  Improving the reconciliation process 291

  Information technology security policies and procedures need to be followed 292

Main points

The Department needs to segregate the duties of employees who make purchases using procurement cards (i.e., credit cards) by removing their ability to approve payment for those purchases.

The Department needs to prepare and independently review and approve all significant reconciliations promptly.

The Department needs to follow its established information technology policies and procedures so that its data is protected from disclosure, modification, or loss.

Introduction

Effective April 1, 2005, Saskatchewan Property Management (SPM) ceased to be a Crown corporation and became a department. As a Crown corporation, SPM prepared financial statements, which it gave to the Legislative Assembly. Audited financial statements provide valuable information to the Legislative Assembly and the public. As a department, SPM does not prepare financial statements.

The mandate of the Department of Property Management (Department) is to provide property management and other support services to government departments, Crown corporations, boards, agencies, and commissions including such services as providing accommodation, property management, furnishings and supplies, transportation, purchasing, risk management, records management, telecommunications, and mail services.[1]

The Department's three goals are:

- effective and value-added service
- sustainable property infrastructure
- partnerships that benefit government and communities

In 2005-06, the Department had revenues of $226 million. This is comprised of $167 million in recoveries of costs from departments and $59 million from commercial operations. Commercial operations are services such as accommodation provided to agencies external to the General Revenue Fund.

Information about the Department's revenues and expenses appears in its annual report (www.spm.gov.sk.ca).

---

[1] pp. 2, *Department of Property Management Performance Plan 2005-2006.*

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Department had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Better monitoring of procurement cards needed

The Department has a policy for the use of procurement cards (i.e., credit cards). The policy outlines how the cards are used and the support required for each transaction. The policy also states the approval process required to obtain a procurement card.

The Department issued over 300 procurement cards to its 785 full time equivalent employees[2] that work in 30 locations across the province. During the year, the Department's employees used procurement cards to acquire $4.2 million in goods.

During the audit, we noted the electronic procurement card system did not adequately segregate the duties of certain employees. As a result, certain employees could approve their own procurement card transactions online without timely detection.

By not segregating approval for payments from the purchases, the Department is at risk of spending public resources for unauthorized purchases.

1. **We recommend that the Department of Property Management segregate the duties of employees who make purchases using procurement cards by removing their ability to approve payment for those purchases.**

---

[2] pp. 11, 2005 – 2006 Annual Report Saskatchewan Property Management.

Improving the reconciliation process

The Department has established practices to agree (i.e., reconcile) various supporting ledgers to the general ledger. Reconciling supporting ledgers to the general ledger is required to ensure that all transactions are recorded properly. For the process to work effectively, reconciliations must be timely and independently reviewed and approved.

The Department needs to monitor its reconciliation processes to ensure that all reconciliations are timely and independently reviewed and approved.

During the audit, we noted the following deficiencies in the various reconciliation processes.

- The Department's vehicle services has processes that require both daily and monthly reconciliations for its car rentals. During the year, these reconciliations were not timely.
- A number of reconciliations lacked evidence of independent review and approval (for example, the reconciliations of the rental billing and fixed asset supporting systems to the general ledger).
- There was no formal documentation of the reconciliation between the telecommunications billing support system and the general ledger, or between the mail services billing support system and postage meter usage reports.

If reconciliations are not timely and independently reviewed and approved, the Department is at risk that its accounting records and financial reports may not be accurate and complete. This could result in the Department not collecting enough money to cover its related costs, or over charging other government departments, agencies, or commissions.

2. **We recommend that the Department of Property Management prepare and independently review and approve all significant reconciliations promptly.**

Information technology security policies and procedures need to be followed

The Department needs to follow its information technology (IT) security policies and procedures.

IT policies and procedures help ensure vital information is protected, accurate, complete, authorized, and available. Management should also monitor compliance with its IT policies and procedures.

The Department has IT security policies and procedures that define staff roles and responsibilities. The policies and procedures identify processes needed for strong security including user access, physical security, change management, and systems maintenance and recovery. The policies and procedures also set out monitoring requirements.

The Department does not always follow its established IT security policies and procedures. The Department needs to protect its systems from security risks and follow established password standards. For example, the Department shared administrator accounts among staff. The passwords on these accounts have remained the same for several years. The Department also needs to ensure that only authorized users have access to its systems and data, that its recovery processes are adequate, and that it monitors its systems in accordance with its IT security policies and procedures.

The Department's systems contain sensitive data including credit card information provided by government and municipal agencies. If the Department does not follow its established policies and procedures, its data is at risk of disclosure, modification, or loss.

3. **We recommend that the Department follow its established information technology policies and procedures.**

Agriculture and Food

11

Main points **294**

Introduction **295**

Financial overview 295

Special purpose funds and Crown agencies 296

Our audit conclusions and findings **296**

Saskatchewan Crop Insurance Corporation 297

- Introduction 297
- Processes to estimate claims need strengthening 298

Saskatchewan Agricultural Stabilization Fund 300

- Introduction 300
- Accounting for grants 300
- Employees need to follow the established processes 301
- Timely annual report required 302

Pastures Revolving Fund 303

- Introduction 303
- Financial reporting guidance needs improvement 303

Succession management 305

- Background 305
- Audit objective and criteria 305
- Conclusion, recommendation, and findings 306
  - Analyzing workforce competencies to achieve objectives 306
  - Aligning succession plans with strategic direction 307
  - Developing strategies for workforce succession 308
  - Evaluating progress 309
- Selected references—succession management 310

Main points

The Department is responsible for 14 agencies with March 31 year-ends. The Department and each of these agencies complied with the authorities governing their activities except for Saskatchewan Agricultural Stabilization Fund (SASF). Each agency prepared reliable financial statements for the year ended March 31, 2006 except for SASF, which recorded transfers from the General Revenue Fund incorrectly. Also, the Department and these agencies had adequate processes to safeguard public resources except for SASF, Saskatchewan Crop Insurance Corporation (SCIC), and Pastures Revolving Fund.

For the last two years, the Department did not prepare an annual report for SASF or provide the Fund's financial statements to the Assembly by the date required by law.

SCIC needs to strengthen its processes for estimating and paying insurance claims that farmers submit. During 2005-06, SCIC lost public money totalling $286,000 resulting from paying incorrect claims.

We continue to recommend that the Department include sufficient guidance on financial reporting in the Pastures Revolving Fund's Financial Manual.

As at June 30, 2006, the Department had adequate systems for succession management except for the processes it uses to analyze the impact of future workforce gaps on the achievement of its objectives.

Introduction

The mandate of the Department of Agriculture and Food (Department) is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector. Working with individuals, businesses, communities, and governments, the Department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic development in rural Saskatchewan.[1]

This chapter contains the results of our audits of the Department and its special purpose funds and agencies with March 31, 2006 year-ends including our audit of the Department's succession management processes.

Financial overview

Exhibit 1 sets out the Government's total agricultural expenses and revenues as reflected in the Government's summary financial statements.

Exhibit 1

	2006	2005
	(in millions of dollars)	
Agriculture expenses by program:		
Crop insurance	$ 153	$ 473
Farm stability	280	238
Other	79	69
	$ 512	$ 780
Agriculture revenues by source:		
Federal Government	$ 130	$ 255
Producers' crop insurance premiums	105	109
Sales, services, fees, and other	52	44
	$ 287	$ 408

The Department's 2005-2006 Annual Report[2] contains information about the Department's revenues and expenses. Each of the special purpose funds and Crown agencies provides their financial statements to the Assembly each year. These are available in the Public Accounts 2005-06 compendium.[3]

---

[1] Saskatchewan Department of Agriculture and Food. (2005). *2005-06: Saskatchewan provincial budget performance plan: Saskatchewan Agriculture and Food*. Regina: Author. page 2. www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0506plan.pdf

[2] www.agr.gov.sk.ca/DOCS/about_us/department_info/SAF0506annualrpt.pdf

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies. Each, except for the Milk Control Board, has a March 31 year-end. The Milk Control Board has a December 31 year-end.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Agri-Food Innovation Fund
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund (SASF)
Saskatchewan Crop Insurance Corporation (SCIC)

Our audit conclusions and findings

Our Office worked with the following appointed auditors:

- KPMG LLP
  - Saskatchewan Agricultural Stabilization Fund
  - Saskatchewan Crop Insurance Corporation
  - Crop Reinsurance Fund of Saskatchewan

- Meyers Norris Penny LLP
  - Agricultural Credit Corporation of Saskatchewan

---

[3] www.gov.sk.ca/finance/paccts/paccts06/compendium/index.htm

To complete our work on the above-listed agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditor of the related agency formed the opinions below with the following exception.

We did not rely on KPMG's opinion on SASF's financial statements for the year ended March 31, 2006. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the report of an appointed auditor. Our additional work consisted of reviewing the agreements between Canada and Saskatchewan and discussion with the Department's management.

In our opinion, for the year ended March 31, 2006:

- **the Department and its agencies had adequate rules and procedures to safeguard public resources except where we report in this chapter**
- **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except where we report in this chapter**
- **the financial statements of the Department's agencies are reliable except for the financial statements of the Saskatchewan Agricultural Stabilization Fund**

Saskatchewan Crop Insurance Corporation

Introduction

The Saskatchewan Crop Insurance Corporation administers a crop insurance program for crop losses due to weather-related and other natural perils. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer. Crop producers and the Governments of Saskatchewan (Saskatchewan) and Canada (Canada) pay for this program in accordance with the Canada-Saskatchewan Implementation

Agreement. In the 2005 crop year, SCIC insured 28.6 million seeded acres involving 30,413 contracts.

SCIC's 2006 Annual Report[4] includes its audited financial statements. Those financial statements report that in 2005-06, SCIC had revenues of $229.1 million, expenses of $101.6 million (including insurance claims of $75.9 million), and total assets of $291.9 million.

SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). SCIC pays to the Fund a portion of its total premium revenue. In return, the Fund pays SCIC a certain percentage of the losses when SCIC losses exceed amounts described in the Agreement. In 2005-06, the Fund had revenue of $33.0 million, expenses of $2.2 million, and an accumulated deficit of $152.9 million.

Processes to estimate claims need strengthening

SCIC needs to strengthen its processes for estimating and paying insurance claims that farmers submit.

Most insurance companies have processes to estimate correctly the losses for insurance claims received. They set out processes for employees to determine what losses are covered and the limits (coverage) under the insurance sold including any changes to the standard coverage that an insured may request. To help employees estimate claims correctly and quickly, insurance companies provide clear direction to employees on what information they must maintain. They also ensure that employees diligently follow their established processes.

Generally, insurance companies require their employees to use the insurance policy information and knowledge of any severe weather conditions in the area of coverage to determine the value of claims. They also require branch management to consider the losses claimed in any specific geographic area to the losses expected in that area because of severe weather conditions before mailing out the claims cheques.

Similar to other insurance companies, SCIC has established rules and procedures to estimate insurance claims quickly and correctly. It also requires its employees to consider weather conditions when estimating claims. However, SCIC did not have adequate processes to ensure that branch management review claims for reasonability considering any other claims settled within the geographic vicinity of the claim and terms of the policy issued.

---

[4] Available at www.saskcropinsurance.com

Also, SCIC did not have adequate processes to ensure employees correctly record in the computer system changes to coverage requested by farmers. While SCIC identified insured requested coverage changes for its branches to follow up, some branches did not verify that the coverage changes recorded in SCIC's system agreed to the insured's requests.

As a result, SCIC paid incorrect claims to three farmers in prior years. SCIC became aware of these errors in early 2005 and 2006. SCIC should have paid $487,000 for claims in accordance with the terms of the insurance policy issued. Instead, SCIC paid the farmers $773,000. Accordingly, SCIC lost public money totalling $286,000.

Management told us SCIC has filed a claim against one farmer to recover the excess amount paid. Also, management told us SCIC finalized 2005 crop year claims totalling $44,000 for this farmer in August 2006, and that SCIC intends to use the $44,000 to reduce the amount the farmer owes.

1. **We recommend that Saskatchewan Crop Insurance Corporation establish a process to correctly record and verify all changes to insured crops.**

2. **We recommend that Saskatchewan Crop Insurance Corporation establish a process to investigate claims that exceed their expected losses before paying them.**

Management told us that SCIC has now strengthened its processes to correctly record and verify all changes to insured crops in its computer system. Management also told us SCIC has implemented a process to investigate claims that exceed their expectation before paying them.

Saskatchewan Agricultural Stabilization Fund

Introduction

The Department administers the Saskatchewan Agricultural Stabilization Fund. SASF reports the transactions of the following programs.

The New Crops Insurance Program
The Big Game Damage Compensation Program
The Waterfowl Damage Compensation Program
The Agricultural Income Disaster Assistance Program (AIDA)
The Canadian Farm Income Program (CFIP)
The Canada-Saskatchewan Bovine Spongiform Encephalopathy Recovery Program (BSE)
Canada-Saskatchewan Assistance Program

SASF's 2005-06 financial statements report revenues of $10.8 million, expenses of $13.5 million, and net financial assets of $7.9 million.

The Government of Canada (Canada) and the Government of Saskatchewan (Saskatchewan) agreed to share the costs of the above programs. Saskatchewan administers all the programs except AIDA and CFIP. Canada administers AIDA and CFIP. The laws governing these programs and the agreements between Canada and Saskatchewan require that SASF must use all money paid into it for the purposes of those programs. In addition, the Department must return any money received and not used to pay for program costs to Canada and Saskatchewan at the end of the programs. SASF operates on a break-even basis except for the interest income earned on advances, which SASF may keep.

Accounting for grants

In our 2004 Report – Volume 3 and previous reports, we report that the Department and our Office disagree on the interpretation of Canadian generally accepted accounting principles for recording revenues from transfers (grants).

In November 2002, the Standing Committee on Public Accounts (PAC) considered this matter and heard that The Canadian Institute of

Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments to clarify principles for recording transfers because the current standards are open to interpretation. PAC deferred its decision pending the result of the CICA project. The CICA's project is not finished.

Employees need to follow the established processes

The Department needs to ensure its employees follow the established processes for preparing financial reports and the year-end financial statements for the Fund.

Agencies need accurate and timely financial reports to make informed decisions. They need to define the financial reports they need to monitor operations and establish processes to prepare those financial reports.

The Department has defined the financial reports it needs to monitor the operations of the Fund. The Department requires quarterly internal financial reports and annual financial statements. The Department has also established and communicated written guidance for employees to follow when preparing the Fund's financial reports and the year-end financial statements. However, employees did not follow those processes.

Employees did not prepare quarterly financial reports for the first two quarters and prepared inaccurate reports for the third quarter for monitoring operations. Employees also prepared inaccurate financial statements for the year ended March 31, 2006 that the Department provided to the auditors. The financial report and financial statements overstated the BSE program expenses by $1 million. To help monitor operations the Department also uses operational reports showing program activities including cash paid to date and forecasted to the end of the program.

The Department corrected the year-end financial statements when informed of the errors. Inadequate and incomplete financial reports increase the risk of inappropriate or incorrect financial decisions.

3. We recommend the Department of Agriculture and Food follow its established processes for preparing accurate and

timely internal financial reports and year-end financial statements.

Timely annual report required

The Farm Financial Stability Act requires the Department to table a report on the administration of the Fund and its audited financial statements. To be a good accountability document, the report should describe the purposes of the Fund, its risk management processes, what it has done, where it is now, and what it plans to do.

The Department gave the Legislative Assembly a separate report on the administration of the Fund for the years ended March 31, 2002, 2003, and 2004. *The Tabling of Documents Act, 1991* requires the Department to give the Assembly the Fund's annual report and the audited financial statements by July 29, 2005 and 2006, respectively.

Although the Department gave the Assembly the Fund's audited financial statements for the year ended March 31, 2005 on February 16, 2006, it has not given the Assembly the Fund's 2006 financial statements. Nor did the Department give the Assembly separate reports on the administration of the Fund for the years ended March 31, 2005 and 2006.

Accordingly, the Department did not comply with the *Tabling of Documents Act, 1991* and the *Farm Financial Stability Act.*

4. **We recommend the Department of Agriculture and Food prepare and provide the Legislative Assembly with the Fund's annual report and the audited financial statements by the date required by the law.**

Management told us it plans to table the Fund's annual report including the audited financial statements for the year ended March 31, 2006 with the Legislative Assembly later this fall.

Pastures Revolving Fund

Introduction

The Department of Agriculture and Food uses the Pastures Revolving Fund (Fund) to provide for the establishment, operation, management and maintenance of pastures, programs, and services related to pasture and livestock management. It also provides programs related to developing, protecting, and promoting the environmental, social, and economic use of pastures.

For the year ended March 31, 2006, the Fund had revenue of $7.7 million, expenses of $7.3 million, and assets of $4.4 million.

Financial reporting guidance needs improvement

The Department needs to improve the written guidance it provides to staff on financial reporting for the Fund.

Written guidance forms part of an agency's system of control. Usually, an agency provides such guidance in the form of an accounting policies and procedures manual. Such a manual guides staff as they carry out their duties. Recorded policies and procedures help in the orderly and efficient conduct of business and help ensure financial reports are accurate.

An accounting policies and procedures manual should describe:

- the information needs of senior management and central agencies, if any
- the tasks and responsibilities related to financial processes
- the significant accounting policies together with procedures necessary to ensure financial reports are properly prepared in accordance with generally accepted accounting principles
- detailed administrative control procedures for all accounting systems

Department staff responsible for the Fund refer to guidance in the Government's Financial Administration Manual (FAM) and the Fund's Policy and Procedure Manual. During 2005-06, Department staff developed a Financial Manual. FAM and the Fund's Financial Manual contain some but not all components of the information required in an accounting policies and procedures manual.

For example, FAM provides guidance on accounting policies appropriate for revolving funds in section 3215. However, neither FAM nor the Fund's Financial Manual provide direct, detailed guidance on procedures necessary to ensure that the Fund's financial reports are prepared in accordance with generally accepted accounting principles.

The Department needs to provide staff with sufficient detailed policies and procedures for the Fund to account for such transactions as:

- bad debts expense
- capital asset additions, disposals, and amortization
- lease revenues including unearned revenues
- timber sales contract revenues
- GST remittances

The 2006 financial statements presented for audit contained the following errors. Proper guidance on financial reporting would have helped staff to prepare financial statements without these errors.

- accounts receivable were understated by $109,300
- capital assets were understated by $45,000
- unearned revenue was understated by $242,100
- timber revenue was overstated by $143,900

In addition, the Department had not promptly remitted over $400,000 of GST that it collected during the year until after the Fund's year-end. Documented guidance for reconciling the Fund's accounting records and remitting GST would have helped to prevent this oversight.

We continue to recommend that the Department include sufficient guidance on financial reporting in the Pastures Revolving Fund's Financial Manual.

The Standing Committee on Public Accounts considered this matter on June 20, 2005 and agreed with our recommendation.

Succession management

Background

The Department conducts its activities in nine business centres located throughout Saskatchewan. It has 530 full-time equivalent positions of which about 77% are unionized. Many of its positions require special competencies (e.g., agricultural economists, irrigation technicians). Recruiting staff with these special competencies is challenging. During the next decade, the Department's human resource risks will increase due to changes in national and provincial demographics.

The Department provides human resource services to three other agencies: Information Technology Office, Department of Regional Economic and Cooperative Development, and Prairie Diagnostic Services. The Department also provides limited human resource support to the Saskatchewan Crop Insurance Corporation.

Succession management, a key part of human resource management, is a systematic approach to ensure a continuous supply of talented employees. Succession management develops strategies to help ensure the agency has people with the right skills in the right places in the future. We audited succession management within the Department itself, and not the agencies it serves.

Audit objective and criteria

The objective of our audit was to assess the adequacy of the Department's systems for succession management as at June 30, 2006.

To assess the adequacy of the Department's systems, we used the criteria summarized in Exhibit 2. To do this work, we followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Criteria outline our expectations. We developed the criteria based on our review of relevant literature and criteria used by other legislative audit offices. The Department agreed with the criteria.

Exhibit 2 – Audit Criteria

To have adequate systems for succession management, the Department should:

1. analyze the workforce competencies required to achieve its objectives
2. align its succession plan with its long-term strategic direction
3. develop strategies for the succession of its workforce
4. evaluate its progress

Conclusion, recommendation, and findings

At June 30, 2006, the Department had adequate systems for succession management except for the processes it uses to analyze the impact of future workforce gaps on the achievement of its objectives.

5. **We recommend that the Department of Agriculture and Food analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.**

The following sets out our main findings and describes our expectations in italics under the criteria noted above.

Analyzing workforce competencies to achieve objectives

To analyze the workforce competencies required to achieve its objectives, we expected the Department to:

- *assess the competencies of its current workforce*
- *identify the supply of competencies required for its future workforce*
- *analyze the impact of future workforce gaps on its objectives*

To assess the competencies of its current workforce, the Department uses standard job competencies set out by the Public Service Commission. The Department also uses *Planning for Success*, a performance management process that helps identify the strengths and learning needs of its current workforce.

Each year, management discusses the competencies that Department staff will need in the future. After identifying these competencies, human resource consultants analyze the internal and external supply of people with related skills. They also identify workforce gaps and risks that could affect the future supply of specific occupational groups.

The Department lists competencies that may be in short supply in the future (e.g., livestock specialists) and ranks as high risk those where the external supply of candidates is likely to be insufficient.

The Department's analysis of the supply of competencies identifies that 2010-2014 are the probable peak-retirement years for its workforce in general and for managers in particular. Its Human Resource (HR) Plan highlights the leadership and technical competencies where the Department is at greatest risk. For example, it highlights positions related to land-use planning and livestock issues. However, the Department does not identify when shortages of specific technical competencies could be most severe except for potential retirements of agrologists and business consultants in a 5-10 year period.

The Department does not explicitly link the expected workforce gaps or shortages to the objectives in its Performance Plan. Identifying workforce gaps is most useful if the employer forecasts when there will be an inadequate supply of skilled workers to achieve its objectives. Knowing when specific objectives might be at risk due to a specific competency shortage strengthens succession management.

As noted earlier, the Department expects retirements to peak in 2010-14. For critical technical competencies, the Department needs to analyze occupational groups that may be in short supply on a year-by-year basis. Then, the Department would be able to analyze the impact on its capacity to achieve its objectives during that time. This analysis would help it plan effective human resource strategies in time to fill workforce gaps.

Aligning succession plans with strategic direction

To align its succession plan with its long-term strategic direction, we expected the Department to:

- *align succession strategies with its long-term strategic direction*
- *communicate its overall succession strategies*

The Department's succession strategies are consistent with its long-term strategic direction. The Department uses work and learning plans to show how each employee's work helps to achieve the Department's objectives. The Department also aligns its plans with specific government directives (e.g., diversity in the workforce).

The Department's HR Plan is not made available to staff. However, all staff have intranet access to a list of competencies required for specific positions. The Department also uses internal memos and work plans to communicate how it plans to develop key competencies to meet its future needs. The Department could better coordinate how it communicates its overall human resource strategies (e.g., on the intranet). Centrally coordinated communication could help staff plan to update their own competencies before the expected competency gaps or workplace shortages arise.

Developing strategies for workforce succession

To develop strategies for the succession of its workforce, we expected the Department to:

- *prepare strategies for bridging the identified workforce gaps*
- *address risks that could impact the strategies*

The Department has developed strategies for bridging identified workforce gaps. The strategies include initiatives to retain and develop current employees as well as to recruit new employees. For example, the Department uses employee learning plans for its employees and develops potential managers with programs such as the Enhancing Management Potential and Leadership Development programs. The Department uses diversity awareness training to enhance employee retention rates. It also gathers information during employee surveys and exit interviews to help it improve the agency's culture and retain its employees. Also, the Department uses university websites, career fairs, internships, and mentorship strategies to gain recruitment opportunities.

Strategies developed by the Department are subject to risks that could reduce their effectiveness. The Department addresses these risks in various ways. For example, to increase the supply of qualified candidates, the Department attends career fairs in schools to promote employment in the agriculture industry and in government. It also advertises its vacant positions on a university website that attracts agriculture graduates.

Another risk that could impact the success of its strategies is the risk that employees do not see the connection between their own work and the objectives of the Department. To address this risk, the Department invites all its employees to develop a performance plan called a "work and learning plan." These work and learning plans show the link to the Department's objectives. In March 2006, 74% of all its employees (including 100% of out-of-scope employees) had a work and learning plan.

Evaluating progress

To evaluate its progress in succession management, we expected the Department to:

- *monitor progress made in addressing the workforce gaps*
- *evaluate results of strategies*
- *modify the strategies as needed*

Each year, the Department updates its analysis of workforce gaps in required competencies and projects future shortages. The Department completes its gap analysis annually during preparation of the HR Plan. Twice each year, the Department evaluates progress made using its performance measures. Detailed work and learning plans contain action plans to close competency gaps (e.g., training). Monitoring the work and learning plans helps the Department evaluate its ability to retain a complete workforce with the required competencies.

Each year, the Department identifies the changes it should make to its strategies based on the results achieved. The Department's managers play an important role in deciding changes to priorities for the future. Employees also are encouraged to provide suggestions and comments on the current succession strategies.

The Department also analyzes risks and workforce gaps to help it modify its strategies. This includes analysis of individual employee development as well as Department-wide adjustments. However, the Department's analysis of risks does not link risks to the Department's objectives. As a result, it is more difficult to set priorities and revise strategies for timely action.

The Department told us that it plans to evaluate its succession management strategies based on outcomes. The new evaluation system will help the Department to analyze the results of its HR Plan and modify its strategies as needed.

Selected references—succession management

Australian National Audit Office. (June 2005). *Workforce planning.* Canberra, Australia: Author.

Australian National Audit Office. (2001). *Better practice guide - Planning for the workforce of the future.* Canberra, Australia: Author.

Conference Board of Canada. (March 2006). *Canada's demographic revolution: Adjusting to an aging population.* Ottawa: Author.

Government Accountability Office. (June 2005). *Human capital: Selected agencies have opportunities to enhance existing succession planning and management effort.* GAO 05- 585. Washington, D.C., USA: Author.

Hoj, J. & Toly, S. (September 2005). *Labour market impact of rapid aging of government employees: some illustrative scenarios*. Geneva: Organization for Economic Co-operation and Development.

Molinaro, V. & Weiss, D. (2005). Closing the leadership gap. *CMA Management 79*(5), 21-23.

Parker, O. (March 2006). *It's the Journey That Matters: 2005 Strategic HR transformation study tour.* Ottawa: Conference Board of Canada.

Provincial Auditor Saskatchewan. (2002). *2002 Fall Report – Volume 2* (pp. 45-62). Regina: Author.

Public Service Commission. (August 2005). *HR Planning Guidelines 2006-07*. Regina: Government of Saskatchewan.

United Nations. Department of Economic and Social Affairs. (2005). *Human resource recruitment and best talent retention toolkit for public sector.* New York: Author.

Saskatchewan Power Corporation

12

Main points 312

Introduction 313

Our findings 314

Supervision of and direction to staff 314

Segregation of duties 316

Main points

Saskatchewan Power Corporation (SaskPower) incurred a loss of public money totalling nearly $190,000 over a period of four years. An employee made unauthorized purchases, ineligible expense claims, and unauthorized cellular phone charges. This occurred due to poor supervision of and ineffective direction to staff and lack of segregation of duties. Also, the employee may have misused signatures of staff to show receipt of goods and approve purchases and payments.

Agencies with effective boards, strong management, and control systems cannot prevent or detect all losses of public money. Nevertheless, they can take steps to reduce the risk of such losses.

In this chapter, we recommend SaskPower take additional steps to reduce the risk of future losses of public money. SaskPower should educate its staff on the importance of controls to safeguard public resources and the warning signs that may indicate fraud and error. SaskPower's management should determine if the duties they assign to staff contribute to sound control. Where these duties, as assigned, increase the risk of fraud and error, management should set out procedures they will use to compensate.

Introduction

Saskatchewan Power Corporation (SaskPower) has annual revenues of about $1.3 billion, expenses of about $1.2 billion and manages over $4.1 billion of assets. It has approximately 2,400 permanent full-time employees.

In early April 2006, SaskPower notified the public of its investigation of a case involving financial irregularities by an employee. Consistent with its Code of Conduct Policy, SaskPower's internal audit investigated a complaint received from within the Corporation. By late September 2006, SaskPower reported the following:

- it had terminated the employment of the individual for cause on April 24, 2006
- it had completed its internal investigation and forwarded the results to the RCMP
- the total amount involved was just less than $190,000
- it carries sufficient insurance to protect the Corporation and its customers from these types of incidents

Through the investigation, SaskPower determined that it lost just less than $190,000 (including over $39,000 of electronic equipment that it recovered). An employee made unauthorized purchases (mainly using a procurement card), ineligible expense claims, and unauthorized cellular phone charges. SaskPower has made a claim under its insurance policy to recover the loss.

In this chapter, we report on the conditions that allowed SaskPower's loss of public money to occur and remain undetected over a four-year period (i.e. May 2002 to March 2006). We also make recommendations to help SaskPower further reduce the risk of loss of public money in the future.

As noted, SaskPower's internal audit investigated the loss. We relied on the work and reports of internal audit as much as possible. To provide a basis for our reliance, we evaluated internal audit's work and tested the accuracy, and reasonableness of its conclusions. We concluded we could rely on its work and reports. Also, we did other tests and procedures (e.g., interviews, review of documents) as necessary.

Our findings

Loss of public money is more likely to occur when one or more risk factors are present. These factors include:

- poor supervision of staff
- ineffective direction to staff
- absent, weak, or loosely enforced segregation of duties

Fraud, by its nature, involves one or more persons deceiving others and results in loss of public money. Even agencies, with effective boards, strong management, and control systems cannot prevent or detect all fraudulent acts. However, agencies can take steps to reduce their risk of loss.

SaskPower's loss of public money was primarily due to poor supervision of and ineffective direction to staff, and lack of segregation of duties.

For each of these factors, the following sets out the factor's importance (in italics) and our findings as of October 2006.

Supervision of and direction to staff

Supervising staff includes providing employees with on-the-job oversight and review of their work. Review of work determines if the employee completes the work as expected (e.g., consistent with the policies, procedures). Approvals provide evidence of review and supervision.

For controls to operate as designed, employees must respect the importance of those controls. They must understand the purpose of the control and carry out procedures as intended. Documented policies and procedures along with active training and communication are essential to foster a strong control environment.

Agencies with sound control systems must not let down their guard. Boards and management must be aware of and recognize warning signs that increase the risk of fraud and error. Also, agencies must send a clear consistent message throughout the organization that it will not tolerate fraud or breach of controls. If the agency detects fraud or breaches, it must act consistent with its stated values and policies.

SaskPower has policies and procedures that provide staff with direction. This direction requires more than one employee to be involved in any financial transaction and for them to authorize that the transaction is for SaskPower's business. It requires independent review of financial reports. Also, SaskPower gives certain employees[1] authority to initiate and approve purchases and payments by type, and sets limits. In general, business units[2] are responsible for initiating and approving most purchases and payments, and confirming the receipt of goods and services[3]. Corporate and Financial Services is responsible for processing the approved payments and preparing financial reports.

SaskPower had set up sound control processes, but work unit management did not follow the established processes. Management did not properly review the employee's expense claims and procurement card purchases prior to approving for payment. This allowed the employee to purchase goods and services inappropriately.

Also, the employee may have misused signatures of staff with signing authority to show receipt of goods and approve purchases and employee expense claims for payment. Furthermore, certain cost and variance reports of the work unit were not reviewed independent of the employee. An independent review may have detected unusual expenses.

Each quarter, SaskPower's internal audit examines samples of purchases and payments, procurement card purchases, and employee expense claims to determine if staff follows policies and procedures. In prior years, internal audit noted few instances of non-compliance with policy and has reported that SaskPower has adequate controls in this area. At October 2006, internal audit had not yet completed its testing for the period January 1 to September 30th.

In May 2006, internal audit presented basic information about the importance of controls to executive management. In this presentation, internal audit expressed concern over the consistent application of controls. It recommended education in the need for and significance of controls and on how controls are applied.

---

[1] These individuals are commonly referred as signing officers.

[2] SaskPower has three business units (i.e., Customer Services, Transmission & Distribution, and Power Production), and three corporate support groups (i.e., Corporate & Financial Services; Planning, Environment & Regulatory Affairs; and People & Processes).

[3] Individuals with these responsibilities are commonly referred as signing officers.

At October 2006, SaskPower does not provide its staff with training on the importance of controls or on factors that may indicate a greater risk of fraud.

1. **We recommend that Saskatchewan Power Corporation educate its staff on the following:**

    - **the importance of the controls necessary to safeguard public resources to increase their understanding of the purpose of these processes**

    - **the importance of signing officers' role to verify the receipt of goods or services and invoices (including procurement purchases and employee expense claims) against supporting documents prior to granting their approval**

    - **the warning signs that may indicate fraud and error and of the employees' duty to bring that information forward**

Management told us SaskPower will develop a program to deliver internal control that includes the importance of signing officer's roles and fraud awareness training to its employees.

Segregation of duties

Essential to good control is a separation of key functions so that no employee or group of employees is in a position to commit and conceal fraud and error in the normal course of their duties. Good controls separate the following functions: the custody or access to assets (e.g., cash, inventory, equipment), the initiation of a transaction (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and responsibility for recording (e.g., recording of the purchase) or reporting the transaction (e.g., preparation of monthly financial reports).

Sometimes, agencies assign incompatible functions to employees and rely on review and approval of work and reports to detect errors or irregularities. Staff assigned responsibility for review and approval of management reports must be fully aware of an employee's incompatible *functions and the related risks. They must keep the additional risks in mind when reviewing work and reports of an employee with incompatible functions.*

Accurate job descriptions contribute to control by documenting overall duties and areas of responsibility of each employee. Job descriptions allow agencies to review assigned duties to identify potentially incompatible functions and take the necessary steps to reassign or reduce risk of fraud and error. Written job descriptions, also, help agencies ensure employees and their supervisors have a clear understanding of their responsibilities and provide a basis to monitor performance.

The employee was assigned a wider than normal range of duties because of an unusual set of circumstances. SaskPower assigned the employee to a work unit responsible for a large geographic area that had limited staff. The employee had worked in environmental engineering, business administration, and information technology. Management viewed the employee's varied experience as an opportunity to gain efficiencies. As a result, they allowed the employee to assume responsibilities significantly different from those normally assigned to that position.

In addition to the employee's administrative duties (including the preparation of the work unit's budget), the employee provided computer support and environmental engineering services for the work unit. The employee had the authority to buy goods and services, and approve invoices for payment. In addition, the employee could receive goods. These duties allowed the employee to make unauthorized purchases.

Furthermore, management delegated to the employee the following: the review and approval of the unit's financial reports that compared actual costs to those planned, and periodic counts of the unit's computer equipment. As a result, no one reviewed transactions initiated or approved by the employee. These delegations further allowed the employee to conceal the misuse of public money. Management did not assess whether this combination of duties increased the risk of undetected fraud or error.

Although the unit assessed the employee's performance based on the additional responsibilities, it did not amend the employee's job description to reflect these responsibilities. The additional responsibilities were significantly more than those on the job description. The work unit did not formally tell management outside the work unit that the employee's responsibilities had changed significantly. It should have.

As a result, management outside the work unit were not fully aware of the changes in the employee's duties. As such, they did not have sufficient information to help identify the additional risks resulting from the changes and require the work unit to mitigate the risks.

The assignment of authority and responsibility is a key part of control. Management, when assigning authority and responsibility to employees, must consider if the duties assigned contribute to sound control. In addition, they must assess if the assignment of duties:

- appropriately prevents errors or irregularities (e.g., separate the ability to approve a purchase from the receipt of the goods), or
- detects errors or irregularities that may have already occurred (e.g., review of reports, reconciliations).

Supervisors must take steps to ensure their employees understand how their duties contribute to the agency's control.

2. **We recommend Saskatchewan Power Corporation require work units, when substantially changing an employee's duties, to assess and document for management's approval changes in assigned duties that increase the risk of fraud and error, and the procedures they will use to compensate.**

Management told us SaskPower will require management to document substantial changes to an employee's duties and to assess the risk of fraud and error.

Financial status of pensions

13

Main points 320

Introduction 321

Future payments for unfunded plans 322

Pension payments compared to available revenue 324

Managing the Government debt 326

Future affordability 327

Summary 328

Glossary 329

Main points

In 2001, the Department of Finance gave the Standing Committee on Public Accounts (PAC) a report and presentation setting out how the Government plans to address its pension debt. The Department provided financial information and data and concluded that the Government would eliminate the pension debt by paying retirement benefits and making required contributions over the next 50 to 60 years. The Department also concluded that the payments are manageable and affordable.

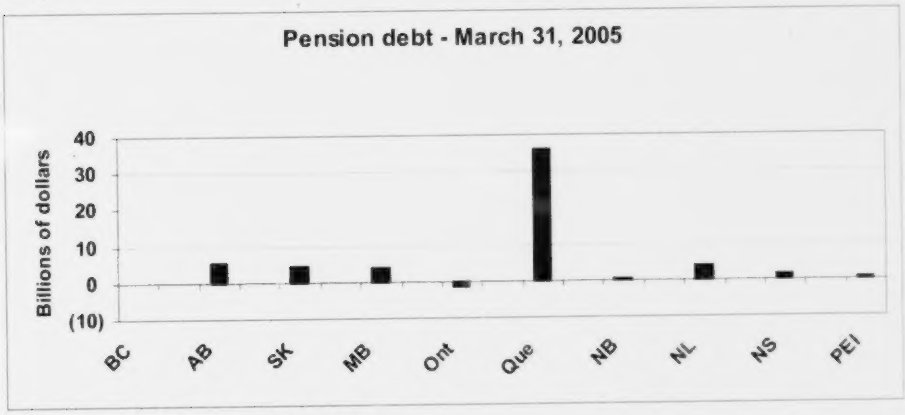
In this chapter, we study how the Department's projections compare to the actual financial and economic performance. The study showed that the Government is better able to afford its pension debt in 2006 then it was in 2000. We encourage legislators and the public to use the updated information in this chapter to discuss the Government's management of its pension debt.

Introduction

At March 31, 2006, the Government's pension debt totalled $4.3 billion[1]. The pension debt for Saskatchewan is 30% of the Government's total debt[2] at the year-end. The pension debt is the amount by which the pension obligations exceed the assets of the pension plans.

Legislators and the public often ask how the Government plans to pay for this large pension debt. In 2001, the Department of Finance gave the Standing Committee on Public Accounts (PAC) a report[3] and presentation setting out how the Government plans to address its pension debt. The Department provided various financial information and data, and concluded that the Government would eliminate the pension debt by paying retirement benefits and making required contributions over the next 50 to 60 years. The Department also concluded that the payments are manageable and affordable.

Graph 1



Note – B.C. has a $3 million pension liability

Source: Financial information from the audited summary financial statements prepared for each province for the year ended March 31, 2005.

Graph 1 shows that the Government's pension debt is the third highest among the provinces. The most recent year for which complete information is available for all provinces is March 31, 2005. Provinces manage their pension debt according to their own fiscal strategies. There does not appear to be a consistent strategy among the provinces.

---

[1] Note 6 of the summary financial statements (Public Accounts 2005-06 – Volume 1). The Government is responsible for paying the $4.3 billion in unfunded government service organizations' pensions promised by the Government. The following are involved: Teacher's Superannuation Plan, Public Service Superannuation Plan, Judges of the Provincial Court Superannuation Plan, Saskatchewan Transportation Company Employees Superannuation Plan, Anti-TB League Employees Superannuation Plan, Saskatchewan Pension Annuity Fund, and the former MLA Fund.

[2] Total debt of $14.1 billion in the summary financial statements (2005-06 Public Accounts – Volume 1).

[3] Saskatchewan Finance. (March 2001). *Report on addressing unfunded pension liabilities.* Regina: Author. [This document can be obtained from the Standing Committee on Public Accounts as tabled document 12/24].

We decided to study how the financial information the Department used in its 2001 report and presentation to PAC compares to the current finances. This will help assess the challenges the Government faces in managing the debt.

For this study, we used the measures the Department used in 2001. In 2001, it focused primarily on the Teachers Superannuation Plan (TSP) and the Public Service Superannuation Plan (PSSP). Throughout the study, we used the information available for these pension plans for their years ended on or before March 31, 2006. We obtained information about the General Revenue Fund (GRF) and Summary Financial Statements (SFS) from the Public Accounts (www.gov.sk.ca/finance/paccts).

In 2001, the Department used the following measures:

- future payments for unfunded plans
- pension payments compared to available revenue
- managing the Government debt
- future affordability

The remainder of the chapter examines each of these measures. Our work is not an audit.

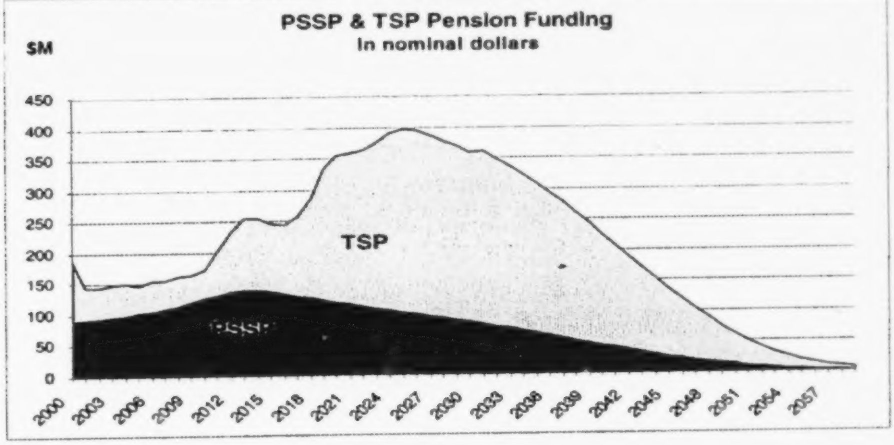
Future payments for unfunded plans

The measure shows the Government's future cash flows in nominal dollars attributable to TSP and PSSP. The pension debt and the expected cash flows are actuarially calculated and based on significant estimates and assumptions concerning inflation, mortality rates, wage rates, and investment returns.

PSSP did not project its cash flows in constant dollars (i.e., today's dollars) in its actuarial valuation as at December 31, 2005. Accordingly, for this measure we cannot provide information in constant dollars.

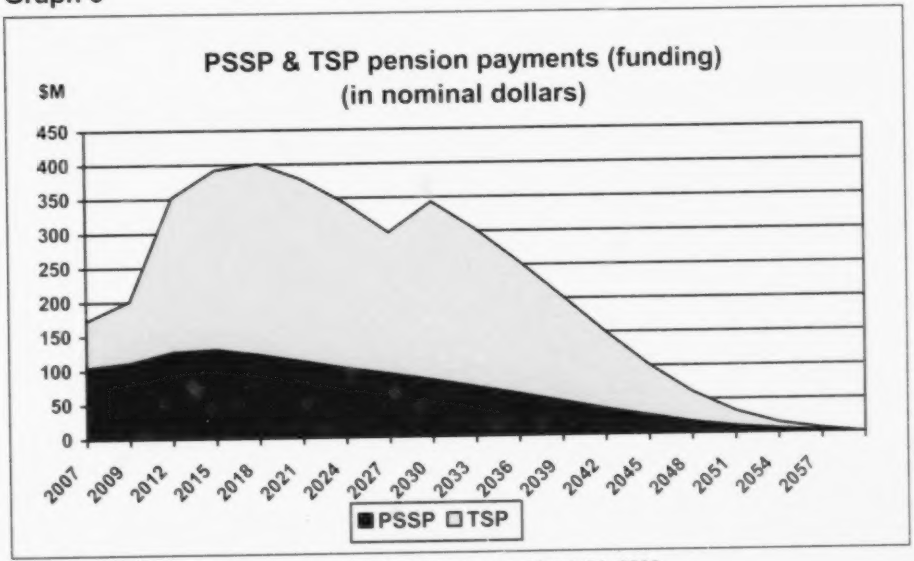
The Department included Graph 2 in its March 13, 2001 report to PAC. The graph shows the Department expected the future cash flows for TSP and PSSP to peak in 2025 at about $396 million.

Graph 2 (from the Department's report to PAC March 13, 2001)



Graph 3 shows the updated cash flow information. Based on the actuarial valuation of those plans for the year ended on or before March 31, 2006, the future cash flows will increase over the next eight years and will peak around 2018 for total combined cash outflow of $401 million. The updated information suggests that cash flows would grow faster than anticipated by the Department in 2001. This will require more careful cash flow management during the next decade. The Department in its report said the TSP displays significant volatility over the next 20 years.

Graph 3

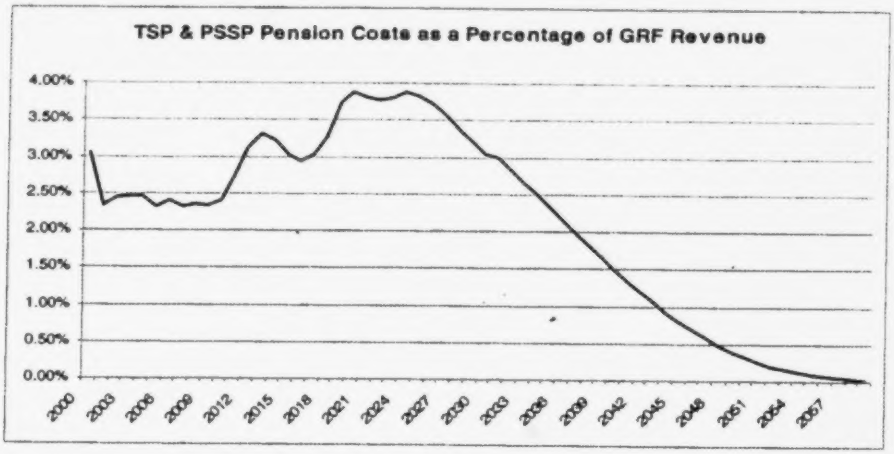


Source: Actuarial valuations for the year ended on or before March 31, 2006.

Pension payments compared to available revenue

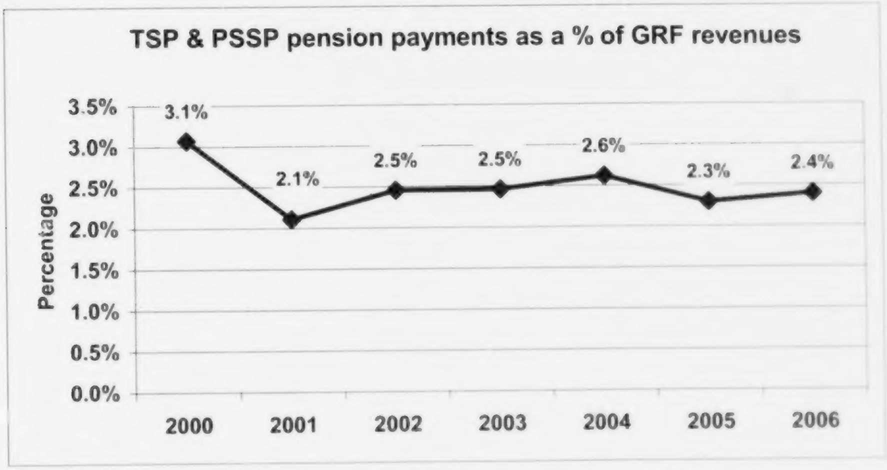
This measure shows the Government's flexibility to respond to rising commitments (i.e., increased pension payments) with its revenues. Changes in this measure affect the Government's ability to incur increasing pension payments while continuing to provide other essential government services. Graph 4 shows the Department's expectations in 2001. It shows that the Department expected that TSP and PSSP pension costs (i.e., payments) in 2006 would be about 2.4% of GRF revenue. The graph also shows pension payments compared to revenue peaking at about 4% around 2025. Graph 3 indicates that the peak will now be about 2018, almost seven years earlier.

Graph 4 (from the Department's report to PAC March 13, 2001)



The Department's expectations for 2006 have proven to be correct. As shown in Graph 5, pension payments for TSP and PSSP were 2.4% of GRF revenue in 2006.

Graph 5

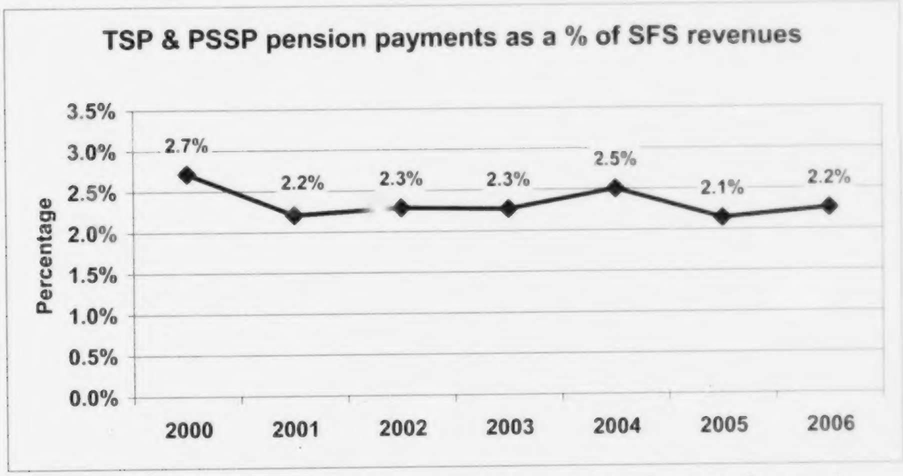


Source: Payments derived from components of the pension expense in the GRF financial statements.

However, comparing pension payments to the Government's total revenue as recorded in the SFS would be a better indicator of the Government's ability to manage its pension debt.

Graph 6 shows the Government's total pensions payments as a percentage of the SFS revenues. The graph shows that from 2000 to 2006, pension payments have decreased from 2.7% to 2.2%. The Government, in 2006, used less of its revenue to make pension payments.

Graph 6



Source: Payments derived from components of the pension expense in the Government's summary financial statements.

Managing the Government debt

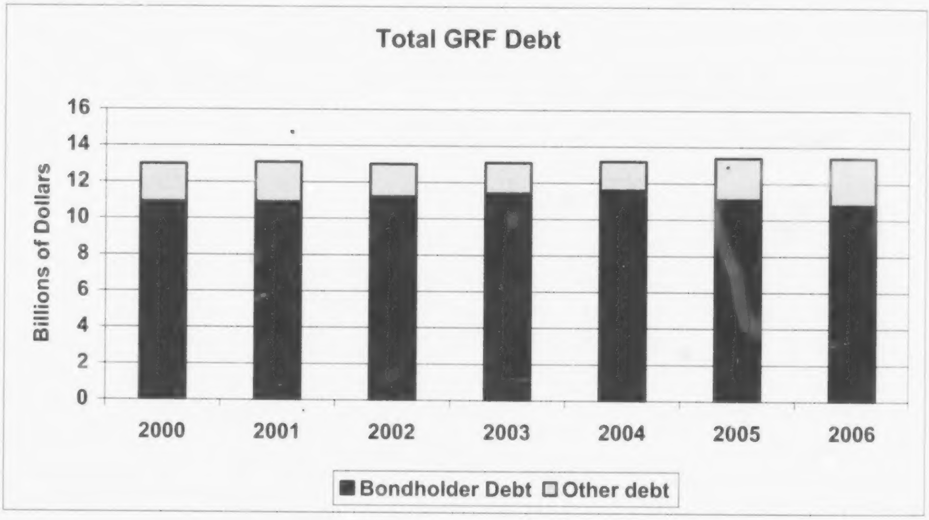
In its 2001 report to PAC, the Department said:

> ….it makes little sense to reduce pension debt by increasing other GRF debt by an equivalent amount. Accordingly, the pension obligation should be examined in the light of all government debt reduction.

The Department also said that the Government's current "debt retirement" plan was to retire the pension debt by paying pension payments over the lifetime of the retired members and that:

> …the Government was committed to balanced budgets and surpluses which will reduce the GRF debt. Overall both pension debt and other debt will be reduced in nominal and real terms.

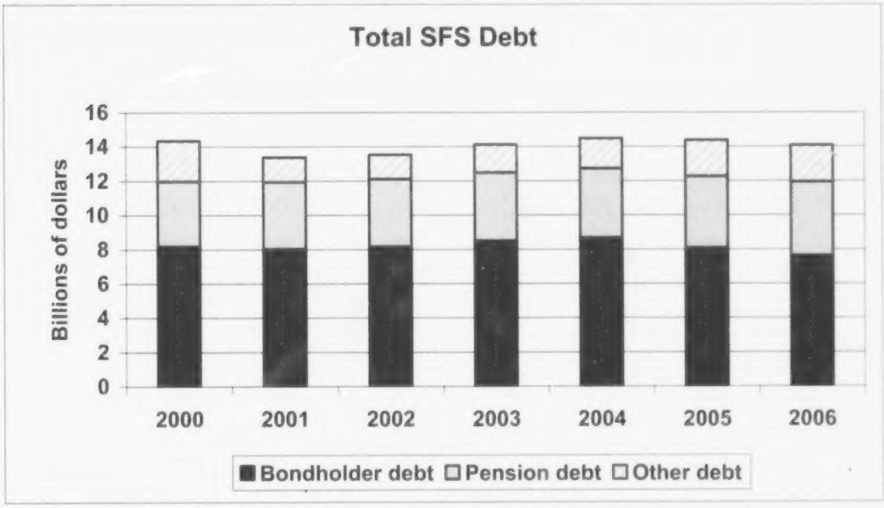
Graph 7



Graph 7 shows the GRF debt for the past seven years according to the GRF Statement of Financial Position. The GRF Statement of Financial Position does not record the pension debt. As a result, the GRF financial statements are not useful to measure performance on reducing overall debt. We reserved our audit opinion on the GRF financial statements because they did not record pension debt.

The Government's SFS provide complete financial information. Accordingly, using the debt recorded in SFS would be a better measure to demonstrate the debt retirement plan. Graph 8 shows the total debt of the Government from March 31, 2000 to 2006. The graph shows the Government's debt has declined slightly. The total debt includes amounts due to creditors including members of pension plans, bondholders, and suppliers.

Graph 8



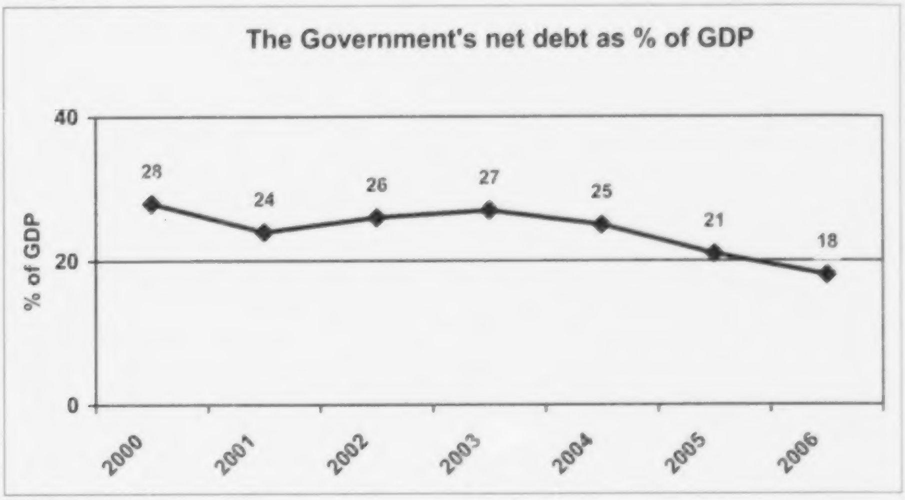
Future affordability

Comparing the Government's net debt to the state of the economy (i.e., GDP) helps explain the affordability of the Government's debt. A growing economy helps governments to maintain their programs and reduce debt. Graph 9 below shows that since 2000 the government's net debt has decreased from about 28% of GDP[4] to about 18% of GDP in 2006. The Government is better able to afford its debt in 2006 then it was in 2000.

---

[4] Source: Saskatchewan Bureau of Statistics for GDP at December 31. GDP statistics reflect the previous calendar year since statistics are not available for twelve-month periods ending March 31. GDP is not adjusted for inflation (i.e., nominal GDP).

Graph 9



Summary

Our study shows that most of the Government's 2001 projections compare well to the actual financial and economic performance. The Government needs to continue to monitor cash flows carefully to manage its debt including its pension debt. We encourage legislators and the public to use the above analysis to discuss the Government's plan to manage its pension debt.

Glossary

Defined benefit pension plan – a pension plan that specifies the pension that members of the plan receive on retirement or the method of determining the pension.

Net debt – is the total liabilities less the total financial assets. If the total financial assets exceed the total liabilities, there are net assets.

General Revenue Fund – a special purpose fund that the Government uses to pay for some of its programs. By law, the Legislative Assembly must approve the spending from the General Revenue Fund.

Government business enterprises – are self-sufficient Crown corporations that have the financial and operating authority to sell goods and services to individuals and non-governmental organizations as their principal activity. Examples include SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority. Their financial results are included in Schedule 3 to the financial statements.

Government service organizations – are organizations that are accountable to the Government and are either owned or controlled by the Government, are not government enterprises. A listing of government service organizations is provided in Schedule 14 of the summary financial statements.

Summary financial statements – is a report of the financial results of all organizations that the Government uses to provide goods and services to the public. The summary financial statements combine the financial activity of all government organizations including departments, Crown corporations, agencies, boards, and commissions, etc.

Pension debt – the amount by which the pension obligation exceeds the assets of the pension plan.

This page left blank intentionally.

Public plans and annual report assessments

14

Main points 332

Introduction 333

Our objective 333

Our expectations for reports 334

- Detailed assessment 335
  - Principle 1—Focus on the few critical aspects of performance 336
  - Principle 2—Look forward as well as back 336
  - Principle 3—Explain key risks 337
  - Principle 4—Explain key capacity 337
  - Principle 5—Explain other factors critical to performance 338
  - Principle 6—Integrate financial and non-financial information 338
  - Principle 7—Provide comparative information 339
  - Principle 8—Present credible information, fairly interpreted 340
  - Principle 9—Disclose the basis for reporting 340

Our conclusions and findings 341

Main points

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and certain other agencies. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines should enable government agencies to report effectively their progress in achieving their plans.

We assessed the public plans and annual reports of thirteen departments, and two Crown agencies for the year ended March 31, 2006. The plans and annual reports contain most of the current requirements of the Department's reporting guidelines. The plans and reports provide more performance information than they did previously and thus enhance public accountability.

Introduction

For many years, our Office has encouraged improved performance reporting by the Government and its agencies. In 2003, the Department of Finance (Finance) set guidelines for preparing performance reports for departments and certain Crown corporations. Finance set out this guidance in its 2003 *Public Performance Reporting Guidelines* together with a four-year implementation schedule. Every year, Finance sets out modified guidance and an updated schedule in a new guideline.

The guidelines are based on public reporting principles developed by CCAF[1] and set out in a publication called *Reporting Principles–Taking Public Performance Reporting to a New Level*. CCAF's publication is the result of a multi-year project on public performance reporting.

Public plans and annual reports of government agencies are key accountability documents. These reports, prepared in accordance with Finance's guidelines, should help the Legislative Assembly and the public to assess the performance of government agencies.

In this chapter, we report our assessment of the 2005-06 public plans and annual reports prepared using Finance's guidelines.

Our objective

The objective of this study was to determine whether the public plans and annual reports for the year ended March 31, 2006 of agencies listed in Exhibit 1 comply with Finance's reporting guidelines and CCAF's reporting principles.

We limited our study to examining the content of the agencies' public plans and annual reports (reports) subject to Finance's guideline. We did not assess the relevance or reliability of the information in the reports. For example, we did not assess whether agencies selected the performance measures that are the best indicators of a particular strategy, the accuracy, completeness, or validity of underlying information systems or data the agencies used to prepare the performance information.

---

[1] CCAF-FCVI Inc. is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers." For more information see www.ccaf-fcvi.com.

Throughout the study, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit 1—Listing of agencies assessed

Department of Agriculture and Food
Department of Community Resources
Department of Corrections and Public Safety
Department of Environment
Department of Finance
Department of Health
Department of Highways and Transportation
Department of Industry and Resources
Department of Justice
Department of Learning
Department of Property Management
Information Technology Office
Public Service Commission
Saskatchewan Liquor and Gaming Authority
Saskatchewan Watershed Authority

Our expectations for reports

Criteria represent our expectations or the main elements we looked for in our study. The study criteria are based on the implementation of the Department of Finance's 2005-06 guidelines for public performance reports (www.gov.sk.ca/finance/).

According to CCAF, an agency's performance reports must incorporate the following nine principles to adequately report on its performance:

1. Focus on the few critical aspects of performance
2. Look forward as well as back
3. Explain key risk considerations
4. Explain key capacity considerations
5. Explain other factors critical to performance
6. Integrate financial and non-financial information
7. Provide comparative information
8. Present credible information, fairly interpreted
9. Disclose the basis for reporting

These CCAF principles go beyond current reporting practice. While some principles may exist to some degree in current practice, it is not common to find them used in an integrated manner, or to their full extent. According to CCAF, that would represent a new level of public performance reporting. Some of the principles will challenge even governments that have made good advances in performance reporting.

Finance's reporting guidelines recognize that implementing performance reporting principles will take time and resources. Accordingly, the guidelines contain a multi-year implementation schedule that recognizes that some reporting principles are more difficult to implement than others. For example, the guidelines do not require reporting on key risks, costs of activities, and capacity until future years. As a result, the guidelines do not expect a comprehensive level of reporting requirements for each principle in 2005-06. Other elements from the performance reporting principles, such as reporting indicator targets, are not yet expected by Finance's reporting guidelines. Finance's guidelines will also need further enhancement following the four-year implementation schedule to meet all of CCAF's reporting principles.

Detailed assessment

This section summarizes the results of our assessment of the public plans and annual reports organized by CCAF's nine reporting principles. For each principle, we describe the principle in italics, Finance's guideline requirements, and set out the results of our assessment of the 2005-06 public plans and annual reports.

We used an evaluation process similar to that suggested by CCAF to rate how well the agencies applied each of the required principles. We based our evaluation on the following four levels:

- start up—most elements of the reporting principle have not been addressed
- in process—many of the elements have not been addressed, but progress is being made
- fundamentals in place—most significant elements have been addressed, but further improvements are possible
- fully incorporated—all elements have been substantially addressed

Principle 1—Focus on the few critical aspects of performance

To be understandable, public performance reports need to focus selectively and meaningfully on a small number of critical areas of performance. Reports need to explain the value created by key programs or business lines; show the relationship between short-term results (outputs) and long-term goals (outcomes); and organize the information that is important to stakeholders in a concise yet robust presentation.

Finance's requirements currently meet the main CCAF requirements. Overall, the agencies have the *fundamentals in place* and are meeting most of Finance's requirements. In order to achieve a fully incorporated evaluation, some improvements are needed including:

- providing a clear link between the agencies goals and overall government objectives
- linking activities to goals and objectives
- linking expenditures to results
- discussing legislation and the authorities under which they operate

Principle 2—Look forward as well as back

Clear expectations are important to a fair assessment of an agency's past performance. Therefore, reports need to identify the specific objectives through which goals are to be realized; track actual achievements against them; inform stakeholders how short-term achievements affect prospects for realizing long-term goals; and show what has been learned and what will change as a result.

Finance wants departments to report achievements against expectations. Finance does not yet require targets to be set or show how short-term achievements affect long-term goals and objectives. Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and aid in prioritizing objectives when an agency has limited resources and capacity.

Most agencies have the *fundamentals in place* covering off Finance's required elements in their plans and reports. In most cases, these agencies identify key objectives and corresponding results for the year under review. The agencies are outlining key objectives and current year's actions in their plans. In most cases, the agencies reported trends over several years. Reporting on several years' performance results allows the reader to determine trends.

To improve, the reports should explain what management intends to do when results vary from the plan. In addition, most agencies do not adequately explain how their annual results affect their long-term goals.

Principle 3—Explain key risks

Reports should identify key strategic risks, explain their influence on policy choices and performance expectations, and relate results achieved to the risks (and the level of risk) accepted. An agency should describe how it formally identifies risks, analyzes and manages risks, and measures its success in reducing risks.

Finance's guidelines are limited to identifying the key risks that impact results. In the future, Finance intends to require reports to explain management's strategies to mitigate major risks.

In 2005-06, the agencies are *in the process* of identifying key risks in their public plans and reports. In most agencies, progress is being made but many elements have not been addressed. In most cases, the discussion of risk is insufficient. Risks are generally missing the link to performance results. Also, they are vaguely explained, hard to identify, and acceptable risk levels is not stated.

Principle 4—Explain key capacity

Reports should disclose and discuss key considerations affecting capacity to sustain or improve results and meet expectations. Reports should focus on the dimensions of capacity of strategic significance and conclusions should be well supported by qualitative and quantitative information.

Discussions of capacity should extend, where relevant, to an agency's infrastructure; computer and technological resources; human resources; and internal systems and processes. These discussions should be provided in the context of the agency's strategic goals and indicate whether it has the necessary capacity. Where the capacity to meet future performance expectations is not in place, the report should discuss the agency's plans to build or acquire the needed capacity and address the risks associated with the imbalance.

Finance has not set any requirements pertaining to capacity for 2005-06. In future years, Finance told us it intends to include disclosure requirements concerning capacity considerations in the public plans.

None of the agencies are providing information on their capacity in their 2005-06 plans and reports.

Principle 5—Explain other factors critical to performance

Often, there are key factors that affect an agency's performance such as economic, environmental, or demographic variables and the performance or actions of other organizations. Reports should identify and explain any of these other factors that are important to the agency's success. Also, reports should provide sufficient information to indicate how the agency is managing or responding to those factors.

Finance's requirements are limited to identifying major factors that affected performance as well as reporting on how the agency is responding to critical factors. Agencies are also required to disclose relevant third parties in their reports and their involvement with the agency.

Overall, the agencies are *in the process* of addressing the required elements of this principle. Most of the agencies are describing the factors that will affect their ability to achieve their goals in their performance plans. The annual reports generally list third parties used. However, few of the agencies described how they are involved in achieving performance results. In addition, most agencies are not describing major external factors that impeded their performance in their annual report.

Principle 6—Integrate financial and non-financial information

Performance reports need to describe the relationship between resources and results. Associating the cost of resources with results enables agencies to demonstrate how its activities add value. Reports should demonstrate how short-term results contribute to longer-term outcomes *for each business line or strategy. This is one of the most difficult principles to implement.*

Finance requires a comparison between actual and budget with explanations of major differences. Finance also made some enhancements to the requirements for performance plans this year. Finance now requires information on financial reallocations, causes of changing costs, and information on stakeholder consultations. Most agencies have not yet provided this information in their reports. Integration of financial and non-financial information is expected in future years.

All agencies have presented a comparison of actual to planned financial results for the current year. Two-thirds of the agencies have the required *fundamentals in place* for budget to actual comparisons and are providing adequate reasons for differences. The remaining agencies are in the process of addressing the required elements of this principle, and provide little explanations.

Principle 7—Provide comparative information

Public performance reports should provide comparative information, about past performance and about the performance of similar organizations, when doing so would enhance readers' ability to understand and use the information. Benchmarking against similar processes in similar organizations is one method of providing comparative information about key aspects of performance.

Finance expects the reports to show data for several years to allow readers to review and analyze trend information. Trends make it clear to readers whether performance is stable, improving, or deteriorating. Finance does not yet expect comparisons to similar agencies.

Most agencies have the required *fundamentals in place* for providing comparative information. However, the type and level of detail of comparative information provided by each agency varies. A few of the agencies provide no comparative data, while the majority provide trends over several years. Also, most agencies need to provide more explanation of the trend information included in the report. Five agencies have incorporated some benchmarking data into their annual reports even though it is not yet a requirement.

Principle 8—Present credible information, fairly interpreted

Performance reports should present relevant, unbiased, verifiable information that is understandable and balanced. This includes the characteristics of consistency, fairness, and reliability. Performance information that appears in more than one report (i.e., business plan and annual report) should be consistent. In addition, to demonstrate that performance reports are credible, the reports must include adequate qualitative and quantitative information to support management's explanations, interpretations, and judgments.

Finance's requirements focus on consistency and understandability. The guidelines require report narratives to cover each area that the agency views as critical to its success in clear easily understood language. Finance expects the reports to provide adequate information about all critical areas of performance, regardless of the results achieved. Measured information is to be presented consistently from one year to the next.

Most agencies have the *fundamentals in place* to meet Finance's requirements. All agencies we examined have presented information in a way that is easy to understand and not overly technical. Most agencies have provided some information on the credibility of the data they provide in their plans and reports. Most of the reports are presented in a neutral manner and describe favourable and unfavourable results. There was one instance where performance measures that were included in the plan were omitted from the annual report. In addition, a few reports did not discuss the factors influencing their results. Some agencies did not adequately identify measurement gaps or include discussion on how these gaps are going to be closed in the future.

Principle 9—Disclose the basis for reporting

Performance reports should explain the basis for selecting the critical aspects of performance that the report focuses on. Management needs to describe the steps it has taken to validate the information presented in the report, and any limitations in its ability to do so. An independent audit and *report on the performance information is important to corroborate the information and judgments contained in the report.*

To help readers understand an agency's performance, CCAF requires reports to show, for each key area of performance, a clear link between each objective and the specific performance measures used to assess progress. It must explain how each selected measure is relevant to achieving the intended outputs or outcomes.

As well, CCAF expects management to clearly define each measure. This enables readers to critically assess the methodologies used and compare results to previous periods or to other agencies. To enhance confidence in its reports, management needs to describe how it is satisfied that the performance information is accurate. This may include systems of internal verification and the use of independent external parties such as auditors.

Finance limits its focus in this area to explaining the scope of the annual report as well as noting changes in plans from prior years.

Many of the agencies have the required *fundamentals in place* to meet Finance's expectations in explaining the scope of the report and noting changes from the prior year. Some agencies have not provided explanations for changes in performance measures. Some of the agencies could provide better descriptions of their reasons for choosing their measures and targets. In addition, half of the agencies discussed users' involvement in deciding on their performance measures.

Our conclusions and findings

We found that the agencies' public plans and annual reports for the year ended March 31, 2006 contain most of the content requirements of Finance's reporting guidelines. The reports provide more performance information than they did previously and thus enhance public accountability.

The Board of Internal Economy and the Office of Executive Council do not publish performance plans and annual reports. To improve their accountability to the public, these agencies should publish performance plans and annual reports.

This page left blank intentionally.

Finance

15

Main points **345**

Introduction **347**

Background 347

Special purpose funds and Crown agencies 348

Overview of the Department's finances 349

Our audit conclusions and findings **350**

Usefulness of GRF financial statements limited 351

Inappropriate recording of transfers to Fiscal Stabilization Fund 351

Pension debts unrecorded 352

Loans to Crown corporations overvalued 354

Business continuity plan required 355

Control over security and disaster recovery of IT systems 357

Better human resource plan needed 358

Annual pension costs not included in Estimates 359

Public Service Superannuation Board 359

Retired members' pensions 360

Public Employees Pension Plan 361

Better monitoring of investments needed 361

IT security policies and procedures needed 362

Annual report needs improvement 363

Saskatchewan Pension Annuity Fund 364

Loss of public money 364

Pension plan governance processes—a follow-up **365**

Project management to implement MIDAS—a follow-up **367**

Background 367

15

Finance

MIDAS Phase 3—human resources and payroll 368
    Not all project costs tracked 369
    Contingency plan in place 369

Main points

To understand and assess the Government's financial performance, legislators and the public should use the Government's summary financial statements.

The usefulness of the General Revenue Fund's (GRF) financial statements is limited. These statements account for only a portion of the Government's activities and include significant errors that affect the reported annual surplus. Users should consider the impact of these limitations when using the GRF financial statements.

The Department of Finance needs to revise its service agreement with the Information Technology Office. The service agreement does not adequately address information technology security and disaster recovery. Also, Finance should improve its human resource plan to help it continue to have the right employees in the right jobs. It must also complete its business continuity plan. Complete business continuity plans help agencies provide critical services if a disaster occurs.

Since 2003, Finance has been replacing, in phases, the central financial and human resources system. Finance used an approved, written contingency plan to manage implementation of the most recent phase. Finance is not tracking all of the costs, i.e., costs incurred by other departments, to replace the old system. As a result, legislators and the public cannot know the total cost of the project.

The Judges of Provincial Court Superannuation Plan and Public Service Superannuation Plan still need to improve their pension plan governance. Also, the Public Employees Pension Plan needs to complete its business continuity plan, and improve its procedures for monitoring investments and its information technology security policies.

This page left blank intentionally.

Introduction

This chapter sets out:

- the results of our audits of the Department of Finance (Finance) and its agencies with years ending March 31, 2006
- actions taken on our 2003 recommendations related to pension governance and project management processes used to implement the Government's central financial and human resources systems

Background

Finance's mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances.

The Government is responsible for the Summary Financial Statements and the General Revenue Fund (GRF) financial statements. Finance, with direction from Treasury Board, prepares these statements, interim financial reports, and related budgets. Finance is also responsible for setting and using effective controls to permit the accurate preparation of these financial statements.

Finance:

- administers and collects provincial taxes
- arranges government financing, banking, investing, and borrowing
- administers public sector pension and benefit plans
- controls spending from the GRF

Finance also provides information, advice, and analysis in the following areas:

- Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
- Maintenance of revenue and expense systems and of financial management and accounting procedures
- Strategic policy development and analysis on matters related to public sector compensation and management of collective bargaining

- Government-wide performance planning and reporting (including implementing the Government's Accountability Framework)

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and agencies (agencies):

Year ended March 31
General Revenue Fund
Fiscal Stabilization Fund
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Judges of the Provincial Court Superannuation Plan

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
SaskPen Properties Ltd.

Each year, the Assembly receives audited financial statements of each of the above agencies except for the Fiscal Stabilization Fund. Consistent with legislation, Finance does not prepare financial statements for the Fiscal Stabilization Fund. Rather, each year, Public Accounts - Volume 1 includes a schedule of transfers and accumulated balance (unaudited). Audited financial statements of the other agencies are available at www.gov.sk.ca/finance/paccts/default.htm.

Overview of the Department's finances

In 2006, Finance spent almost $1.1 billion and collected revenue of $6.3 billion[1].

The following is a list of Finance's major programs and spending for the year ended March 31, 2006.

	Original Estimates	Actual
	(in millions of dollars)	
Interest-GRF Debt	588	545
Interest-Crown Corporation Debt	251	286
Total Interest on Debt	**839**	**831**
Pensions and Benefits	214	207
Administration	41	40
	1,094	**1,078**

The following is a list of Finance's major revenue sources.

	Original Estimates	Actual
	(in millions of dollars)	
Individual Income Taxes	1,362	1,448
Interest – Crown Corporations	251	286
Sales Taxes	1,019	1,112
Canada Health Transfer	660	660
Canada Social Transfer	300	299
Transfers – Equalization	82	89
Fuel Taxes	365	376
Corporation Taxes	696	919
Tobacco Taxes	169	171
Income from Government Entities	537	607
Motor Vehicle Fees	126	135
Other	150	202
	5,717	**6,304**

---

[1] The financial information is from the *Estimates 2005-2006*, *Public Accounts 2005-06 Volume 1 – Main Financial Statements* (see www.gov.sk.ca/finance/paccts) and Finance's *Annual Report 2005-2006*.

Our audit conclusions and findings

Chapter 5 of our 2006 Report – Volume 1 contains the results of our audits of the special purpose funds and Crown agencies with years ending December 31, 2005.

Our Office worked with Meyers Norris Penny LLP, the appointed auditor for the Public Employees Pension Plan. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*[2].

In our opinion, for the year ended March 31, 2006:

- **the Government's summary financial statements included in the Public Accounts, 2005-2006 Volume 1 are reliable**
- **the GRF's financial statements included in the Public Accounts 2005-2006 Volume 1 are reliable except for the improper recording of transactions related to transfers to the Fiscal Stabilization Fund, loans receivable from Crown corporations, and amounts owed for pensions**
- **the financial statements of the other above-listed agencies with March year ends are reliable**
- **Finance and its agencies with March year-ends had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Finance and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**

In addition, the law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2006, the Government approved the spending of $77 million by special warrant. It later included these special warrants in an appropriation act.

---

[2] A copy of this report is available at www.auditor.sk.ca/rrd.html.

The following sets out detailed audit findings related to Finance and its agencies.

Usefulness of GRF financial statements limited

The usefulness of the GRF's financial statements is limited for two reasons.

First, as noted in the auditor's report and described in this chapter, the GRF's financial statements include significant errors. These errors affect the reported annual surplus. The Government continues to use the GRF's annual surplus as one of its key performance indicators.

Second, as indicated in our auditor's report on the GRF's financial statements, the financial statements of the GRF do not include all the Government's financial activities.

Users should consider the impact of these limitations in the GRF's financial statements when using these statements. Also, to understand and assess the Government's overall financial performance, the appropriate financial statements to use are the Government's summary financial statements.

Inappropriate recording of transfers to Fiscal Stabilization Fund

The Government continues to use an inappropriate accounting policy to record transactions between the GRF and the Fiscal Stabilization Fund (Fund). The use of this policy results in inaccurate financial statements.

The GRF financial statements include transactions between the GRF and the Fund. The substance of these transactions is the amounts that the GRF owes the Fund must be repaid by the Fund to the GRF. The GRF's 2006 financial statements show a liability of $888 million owed to the Fund and an expense of $139 million.

Canadian generally accepted accounting principles (GAAP) as recommended by The Canadian Institute of Chartered Accountants do not allow the GRF to record changes in amounts due to the Fund as revenues or expenses of the GRF.

As the Government acknowledges in note 1 to the GRF financial statements, the Government does not follow GAAP when it records transfers between the Fund and the GRF. It has not followed GAAP since 2000 when the Government created the Fund through *The Fiscal Stabilization Fund Act*. The Act inappropriately deems any amount transferred from (to) the GRF to (from) the Fund as an expense (revenue) of the GRF.

The Government changes the actual amount of the GRF's annual surplus to another amount when it transfers amounts between the GRF and the Fund. The Government decides both the amount and timing of the transfers between the GRF and the Fund.

This accounting practice distorts the actual results of the GRF and has no impact on the overall finances of the Government. The accounting practice results in overstating the GRF's recorded accumulated deficit and understating the GRF's recorded annual surplus.

If the Government used the correct accounting policy:

- it would record a related asset (that is due from the Fund) of $888 million and decrease the accumulated deficit at the end of the year by $888 million

- it would decrease its expenses (the transfer to the Fund) by $139 million to zero and increase the annual surplus by $139 million

We continue to recommend that the General Revenue Fund's financial statements record transfers in accordance with Canadian generally accepted accounting principles for the public sector.

In February 2002, the Standing Committee on Public Accounts (PAC) considered this matter and disagreed with our recommendation.

Pension debts unrecorded

The Government continues to use an inappropriate accounting policy to account for the costs of its pension debts in the GRF. The use of this policy results in inaccurate GRF financial statements because the Government fails to record the amounts it owes for pensions (debt) and the total annual costs of these pensions.

The Government, through the GRF, sponsors several pension funds. In the GRF financial statements, the Government only includes the amounts it paid retired members or contributed to a pension fund during the year. The GRF's 2006 financial statements include pension expenses of $269 million and no related amounts owed.

GAAP requires the Government to record the amounts it owes for pensions and the total annual related costs in financial statements. Providing this information in notes to the financial statements is not an acceptable alternative.

As the Government acknowledged in note 1 to the GRF's financial statements, Treasury Board has decided not to follow GAAP. This decision has resulted in understating the GRF's recorded accumulated deficit of $4.3 billion and overstating its recorded annual surplus of $400 million.

If the Government used the correct accounting policy:

- it would increase the accumulated deficit at the end of the year by $4.2 billion

- it would increase operating expenses and decrease the annual surplus by $103 million

Further, the use of this accounting policy affects the accuracy of information reported in the annual reports of the two departments that sponsor pension plans. The 2005-2006 annual report of Learning understates its actual expenses by $54.6 million and that of Finance understates actual expenses by $48.1 million. Neither annual report discloses the related pension debt of $2.6 billion for teachers' pensions and benefits (i.e., Learning) or of $1.6 billion for government employees' pensions and benefits (i.e., Finance).

We continue to recommend that the General Revenue Fund's financial statements record pension costs in accordance with Canadian GAAP for the public sector.

In February 2002, PAC considered this matter and disagreed with our recommendation.

Loans to Crown corporations overvalued

The Government has not valued its loans to Crown corporations properly.

The GRF's 2006 financial statements include $153 million for three loans receivable from Saskatchewan Crop Insurance Corporation (Crop Insurance). This amount is included in loans from Crown corporations. These loans are overstated by $24 million for two reasons.

First, the Government has not reduced the value of the loans or recorded the related expense to account for the effect of interest subsidies. GAAP requires the Government to record a grant expense and reduce the value of the loan when it gives a borrower special loan terms that reduce the borrower's cost of borrowing from normal terms.

Each year, the GRF (through Department of Agriculture and Food) provides Crop Insurance with money to pay the interest on the loans (commonly called an interest subsidy). At March 31, 2006, these interest subsidies have reduced the value of the loans by about $12 million.

Second, the Government has not reduced the value of the loans by the amount Crop Insurance will need from the GRF to repay the loans. Crop Insurance's three loans are due in June 2006, September 2008, and September 2009 respectively. GAAP requires, where amounts borrowed cannot be repaid unless the Government gives money to do so, the Government to reduce the loans receivable by and record an expense for the amount expected to be repaid with money the Government gives the borrower. GAAP also requires that the Government, in subsequent years, reduce the related expenses for any previously expensed loan repayments. At March 31, 2006, we estimate that Crop Insurance cannot repay the loans when due unless the Government gives it a further $12 million (2005 - $44 million).

If the Government had recorded the loans receivable properly:

- it would have decreased the Loans from Crown corporations (receivable) and increased the accumulated deficit by $24 million

- when taking into account our prior year's reservations, it would have decreased operating expenses and increased the annual surplus by $20 million

Further, the above error affects the accuracy of information reported in the Saskatchewan Agriculture and Food's annual report since Agriculture and Food provides the interest subsidies. Saskatchewan Agriculture and Food's 2005-2006 annual report overstates its actual expenses by $20 million.

We continue to recommend that the Government account for loans to Crown corporations in accordance with Canadian GAAP for the public sector.

In September 2004, PAC considered this matter. PAC agreed with our recommendation and noted that the Saskatchewan Crop Insurance Corporation should continue to operate as it currently does.

Business continuity plan required

Finance and the Public Employees Pension Plan (PEPP) need written, tested, and approved business continuity plans[3] to help ensure they can continue to provide services in the event of a disaster.

Finance provides critical government services. These include controlling spending from the GRF (central payments system), managing the Government's debt, and collecting all revenue due to the GRF. These services also include managing the special purpose funds listed on page 348.

PEPP's critical services include receiving and recording contributions, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members.

Finance and PEPP must provide these services even if a disaster disrupts their ability to operate in the normal manner. Without an adequate business continuity plan, Finance and PEPP are at risk of not being able to provide critical services in a timely manner.

---

[3] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions. A disaster recovery plan is one component of a business continuity plan. Disaster recovery plan are plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operation of a computerized system (also known as contingency plan).

Business continuity plans should:

- Be supported by management. Management should make the required resources available to create and maintain the business continuity plan.
- Be based on a threat and risk assessment. This would include identifying and ranking Finance's critical services.
- Include plan activation and notification procedures, emergency procedures that would be used in the event of a disaster; and steps for the recovery and restoration of critical services.
- Be documented, approved by management, and made easily accessible when the plan needs activation.
- Be tested initially and on an on-going basis.
- Include policies for on-going maintenance and updating of the plan.

Finance has documented some parts of a business continuity plan but does not have a complete plan. For example, it has documented and tested a disaster recovery plan for the payment portion of its central financial system. However, it has not developed or documented all the key components of a business continuity plan.

PEPP has also documented some elements of a business continuity plan. For example, PEPP has documented some of its IT equipment and has arranged for use of an offsite facility in the event of a disaster.

Finance and PEPP need to identify and rank critical services and document the steps for recovery and restoration of critical services. Also, Finance and PEPP need to periodically update and test their business continuity plans.

PAC considered this matter for Finance on October 5, 2006 and agreed with our recommendation.

We continue to recommend that the Department of Finance prepare a complete business continuity plan.

1. **We recommend that the Public Employees Pension Plan prepare a complete business continuity plan.**

Finance management told us they are working to finalize a complete business continuity plan, but think they would be able to continue providing critical services in the event of a disaster.

Management also told us that in May 2006, they gave the Board of PEPP a draft business continuity plan that identified and ranked PEPP's critical services and included steps for restoring those identified services.

Control over security and disaster recovery of IT systems

Finance's service level agreement with the Information Technology Office (ITO) does not adequately address the areas of information technology (IT) security and disaster recovery.

Since September 2005, Finance has used ITO to provide it with IT services. Even though Finance uses ITO, it remains responsible to have adequate policies to support its IT requirements.

Finance's agreement with ITO sets out the scope, level, and quality of services ITO provides. However, the agreement does not include adequate provisions for security or the on-going availability of key information technology services.

The provisions for security focus on Finance's responsibility to follow ITO's security policy and standard. The agreement does not adequately set out security processes, expectations, and reporting requirements for services provided by ITO. Nor does it adequately address disaster recovery processes, expectations, and reporting requirements.

The disaster recovery plan that ITO is developing for its data centre does not identify the priorities or procedures required to restore Finance's applications. In the case of a disaster, Finance does not know if or when ITO would restore Finance's systems.

2. **We recommend that the Department of Finance confirm, in writing, processes and policies that the Information**

Technology Office uses to address its specific information and technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Department of Finance as necessary.

Better human resource plan needed

In 2005-2006, Finance's formal human resources plan document did not have all of the key components that comprise a comprehensive human resource plan. A comprehensive human resource plan would help Finance ensure that it continues to have the right employees, in the right jobs, and at the right time.

A comprehensive human resource plan should:

- set out human resource priorities that are linked to the Finance's strategic direction
- describe key human resource risks
- outline gaps in current human resources
- describe strategies to bridge gaps and address risks
- outline implementation plan of major strategies

We do not expect all of the components to be in a single document.

Finance's Human Resource Plan describes its strategic direction. However, it does not identify key risks or project future human resource needs for new and ongoing activities. The Plan also does not set out the financial resources that Finance would need and when, or identify who is responsible to implement the planned strategies.

3. **We recommend the Department of Finance revise its human resource plan to:**

   - **set out human resource priorities that link to its strategic direction**

   - **document its future human resource needs (e.g., number, type, location of employees and required competencies) to meet the goals and objectives**

- **assign responsibility to staff to implement planned strategies**

Annual pension costs not included in Estimates

Accounting for pension costs on an accrual basis is important so that expenses reflect the full cost of the Government's pension promises.

Since 1998, we have recommended that Finance include the GRF's total pension costs for the year in the Estimates. The Estimates only include pension costs on a cash basis, that is, amounts the Government expects to pay retired members or contribute to a pension fund in that year.

The effects of not including the GRF's total pension costs in the Estimates are significant. For 2005-2006 Estimates:

- budgeted operating expenses of $6.6 billion were understated by $92.6 million
- surplus of $69,000 was overstated by $92.6 million
- accumulated deficit of $4.7 billion was understated by $4.2 billion

Finance did not provide legislators with the effects on the 2006-2007 Estimates of accounting for pension costs on an accrual basis. It has disclosed that it expects its expenses to increase by an additional $336.5 million[4] to account for pension costs related to the GRF.

In February 2002, PAC considered this matter and disagreed with our recommendation.

Public Service Superannuation Board

The Public Service Superannuation Board (Board) is responsible for the administration of *The Public Service Superannuation Act* and other relevant legislation. The Board's primary objective is to provide superannuation allowances to employees who retire and to the dependants of deceased superannuates and employees in accordance with governing legislation.

---

[4] 2006-2007 Saskatchewan Provincial Budget – Budget and Performance Plan Summary, page 76

The Board manages the Public Service Superannuation Plan (Plan), which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The Plan is a defined benefit final average pension plan.

In 2005-2006, the Plan received contributions of $4.4 million from employees and $96.2 million from the GRF. At March 31, 2006, the Plan held assets of $16.2 million and had liabilities of $1,791.1 million.

Retired members' pensions

The Board needs information about retired members of the Plan who are receiving a pension and have returned to work for the Government. The Board needs this information to ensure it pays pensions in accordance with the law.

Requirements for stopping the pensions of retired members who return to work for the Government are set out in section 27 of *The Superannuation (Supplementary Provisions) Act* (Act). The Act allows retired members to work as temporary, casual, or provisional employees for up to six months in a fiscal year without a reduction in their pensions. The Act requires the Board to stop the pension of a retired member:

- who works for the Government for more than six months in a fiscal year
- that the Government re-hires as a permanent employee when that member starts work

The Board does not have rules and procedures to know if retired members are working for the Government. The Board relies on retired members to notify the Board of re-employment with the Government. As a result, the Board cannot ensure that all pensions it paid comply with the law. Accordingly, we cannot determine if the Board complied with section 27 of the Act.

We reported this matter in our 2005 Report – Volume 3 and previous reports. In November 2001, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the Government are paid in accordance with the Act. Alternatively, the Board should seek changes to the Act.

Public Employees Pension Plan

The Public Employees Pension Board (Board) is responsible for *The Public Employees Pension Plan Act*. The Board's primary objective is to provide retirement benefits to members in accordance with the law. The Board manages the Public Employees Pension Plan (PEPP), a defined contribution pension plan. The Board has contracted the Public Employees Benefits Agency (PEBA) to provide day-to-day administration of PEPP.

PEPP's 2005-06 Annual Report included its audited financial statements. These financial statements report contributions of $78 million from employees and $73 million from employers, investment income of $285 million, and an increase in market value of investments of $187 million. For the year, PEPP incurred administrative expenses of $10 million and made transfers or payments out of PEPP of $137 million. At March 31, 2006, PEPP held assets of $3.8 billion.

Better monitoring of investments needed

PEPP needs to improve its procedures for monitoring investments.

As trustees of PEPP, the Board is responsible for safeguarding and investing members' money. PEPP retains a custodian for safekeeping investments, collecting investment income, and completing and recording investment transactions. PEPP has delegated day-to-day responsibilities for managing its investments to professional investment managers. These investment managers provide direction to the custodian to buy or sell investments.

To ensure the custodian accurately accounts for all transactions that investment managers initiated, agencies must regularly reconcile the custodian's investment holdings to those reported by the investment managers. PEPP's processes to monitor investments include weekly and quarterly reviews of the investment rate of return for each class of investments to the expected rate of return. In April 2006, PEPP changed its weekly review to a daily review. Also, PEPP requires an external consultant to analyze and report on the quarterly rate of return.

PEPP, however, does not require management to reconcile regularly the investments reported by its custodian to the investments reported by its investment managers. As a result, financial statements for March 31, 2006 prepared for audit purposes understated real estate investments by $8 million. When PEPP became aware of this difference, it adjusted the financial statements.

4. **We recommend the Public Employees Pension Plan reconcile regularly the investments reported by the investment managers to the investments reported by the custodian, and investigate significant differences.**

IT security policies and procedures needed

PEPP needs to establish written information technology (IT) policies and procedures for granting, removing, and monitoring user access to systems and data.

PEPP needs IT policies and procedures to ensure vital information is protected, accurate, complete, authorized, and available when needed. It must also monitor user access to ensure only authorized users access its systems and data.

We reported this matter in our 2006 Report – Volume 1 and our 2005 Report – Volume 3.

PEPP has not yet established written policies and procedures for granting or removing access to vital information and programs, or for granting remote access to contractors. Nor has it established processes for monitoring who has access to what systems and if that access is still appropriate. Absence of these processes could result in unauthorized disclosure of information, reliance on incomplete and inaccurate information, and the loss of vital information.

We continue to recommend that the Public Employees Pension Plan document, approve, and implement information technology policies and procedures for granting, removing, and monitoring user access.

PAC considered this matter on October 5, 2006 and agreed with our recommendation.

Annual report needs improvement

In our 2004 Report – Volume 1, we assessed whether the annual reports of the Government's pension plans contained sufficient information. We used the CCAF's[5] Reporting Principles to carry out this assessment. We concluded that the Government's pension plans needed to continue to improve their annual reports.

We recommended that the Government's pension plans improve their annual reports by describing their:

- progress towards key goals and objectives
- future direction and risks
- strategies to build capacity

In September 2004, PAC considered this matter and agreed with our recommendation.

We assessed PEPP's 2005-06 Annual Report to determine the progress PEPP had made in addressing our recommendations.

The annual report has significantly improved. It now includes information about the plan's mission, purpose, and strategic goals. The annual report describes strategic initiatives undertaken to achieve the strategic goals including such areas as plan governance, communication, and strategies to sustain or build capacity. It also includes PEPP's risks and the strategies in place to mitigate those risks.

We encourage PEPP to continue improving the annual report by describing its performance measures and targets for its goals and objectives. Targets help readers assess whether performance is stable, improving, or deteriorating. Also, the annual report should continue to improve integrating financial and non-financial information to show how resources and strategies contribute to results. For example, the annual report could show how money spent to improve member communication is achieving results.

---

[5] The CCAF-FCVI is non-profit research and education foundation that support capacity development for the public sector in the areas of governance, accountability, management, and audit.

We continue to recommend that Public Employees Pension Plan improve its annual report.

Saskatchewan Pension Annuity Fund

The Saskatchewan Pension Annuity Fund (Fund) operates under *The Saskatchewan Pension Annuity Fund Act*. The Fund's purpose is to provide annuities to retiring members of designated pension plans including the Public Employees Pension Plan (PEPP). Members of the plans may choose to purchase an annuity from the Fund. The Saskatchewan Pension Annuity Fund Board administers the Fund. Finance provides day-to-day management through PEBA.

The Fund's *2005-06 Annual Report* includes its audited financial statements. The Fund had revenue of $25.0 million (including $16.0 million in transfers from PEPP) and expenses of $23.2 (including $13.0 for annuities). At March 31, 2006, the Fund held assets of $152.0 million and estimated annuities payable of $150.7 million.

Loss of public money

The Fund provided an incorrect annuity to a retired member of PEPP resulting in the loss of public money of $60,000.

PEBA staff calculate annuities for retiring members who chose to buy annuities from the Fund. PEBA inputs retiring member's information (e.g., age of retiree, type of annuity, and the accumulated balance transferred from the pension plan) into the Fund's computer system to calculate the monthly annuity. PEBA uses a checklist that sets out steps that it must follow to complete annuity calculations. One of those steps requires two other staff to review the calculation before payments begin.

In 2004, PEBA entered incorrect information for a retiree. The system calculated the monthly annuity based on the incorrect information and the normal review did not detect the error. The system calculated a monthly annuity of $1,200 instead of $860. The retiree required an additional $60,000 to receive a monthly annuity of $1,200. The external actuary detected the error at year-end and advised PEBA management. Management investigated all annuities issued during the year and found no other errors.

The Fund sought assistance from the Department of Justice in recovering the overpaid annuity. Justice advised the Fund that it would not be able to recover the money because of delays in detecting and reporting the error to the retiree and that it must continue paying the annuity. Accordingly, the Fund lost public money totalling $60,000.

We reviewed the work management did to detect additional potential errors in annuity calculation and agreed with their findings.

Management has implemented additional procedures to reduce the risk of incorrectly calculating annuities. The Fund now requires a reviewer to recalculate the annuity and document that review on the checklist.

Pension plan governance processes—a follow-up

As noted earlier in this chapter, Finance through the Public Employees Benefits Agency (PEBA) administers a number of pension and benefit plans.

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We recommended that the pension plan boards develop and implement strategic plans, define their responsibilities, define and communicate their financial and operational information needs, and develop and implement communication plans.
In September 2004, PAC considered this matter and agreed with our recommendations.

As part of our 2005 and 2006 audits of various pension plans, we assessed progress towards improving governance processes for the pension plans. Some pension plans have made significant progress in improving their governance processes. However, some plans have not made significant progress in improving their governance processes.

For the Judges of Provincial Court Superannuation Plan, we found that Finance has not yet developed a strategic plan that includes the goals and objectives, a summary of risks faced by the Plan and its members, and the key strategies to manage those risks.

For the Public Service Superannuation Plan, we found that the Public Service Superannuation Board (Board) has not yet developed a strategic plan that includes goals and objectives, a summary of risks faced by this Plan and its members, and the key strategies to manage those risks. Nor has the Board developed and implemented written communication plans.

However, the Board has made progress. It developed a governance manual that sets out specific responsibilities of the Board, an education plan for board members, and defined and communicated the Board's financial and operational needs to oversee the Plan.

Because the Board has not fully addressed its governance processes, it has not assessed its own effectiveness.

These Plans are significant to Finance, plan members, and the public. The Public Service Superannuation Plan has an unfunded liability of over $1.7 billion and the Judges of Provincial Court Superannuation Plan has an unfunded liability of $66 million at March 31, 2006. These liabilities are the Government's responsibility.

We continue to recommend that Finance develop and implement a strategic plan for the Judges of the Provincial Court Superannuation Plan that includes its goals and objectives, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks.

We continue to recommend that the Public Service Superannuation Board:

- develop and implement a strategic plan including the Plan's goals and objectives, a summary of the risks faced by the Plan and its members, and the key strategies to manage those risks
- develop and implement written communication plans
- establish policies for periodic governance self assessment

Project management to implement MIDAS—a follow-up

Background

MIDAS[6] is the new computer system that has replaced the Government's central financial and human resources systems. As noted in the following exhibit, MIDAS has been implemented in phases, beginning with financial management and then moving to human resources/payroll.

Exhibit – MIDAS phases[7]

Phase		Implementation (active) date
Phase 1	Financial administration—including general ledger, accounts payable, revenue recording, budgeting, forecasting, cash management, financial management information	April 1, 2003
Phase 2	Capital asset management	April 1, 2005
Phase 3	Human resources/payroll administration—including employee and position management, payroll, benefits management, time and attendance, entitlements (e.g., vacation, sick leave), and training	April 1, 2006
Phase 4	Additional human resource components—Self-service, competency management, career and succession planning	Planned for 2008-2009

The implementation of MIDAS is a large IT project. Large IT projects are risky and require strong project management. In 2003, we audited Finance's project management processes to implement Phase 1 of MIDAS.

---

[6] "MIDAS" stands for Multi-Informational Database Applications.

[7] With material from Department of Finance, *Annual Report 2004-2005, Annual Report 2005-2006.*

We found that Finance had adequate project management processes to implement Phase 1 except for two areas.

First, Finance did not track all the costs for implementing MIDAS. It did not track the costs borne by user departments, such as costs for user acceptance testing, conversion, and project committees. Because total costs were not tracked, legislators and the public received an incomplete picture of the cost of the project. Without knowing the total cost, they were not able to compare the costs to the benefits.

Second, Finance did not have a written contingency plan to deal with the possibility that the project would be over budget, late, or lack quality.

PAC considered our recommendations September 29, 2004, and agreed with our recommendation that Finance use a written contingency plan. PAC did not agree with our recommendation that Finance track and monitor all project costs. PAC recommended that Finance track and monitor all of the project costs associated with the MIDAS project contained within Finance.

MIDAS Phase 3—human resources and payroll

Phase 3 of MIDAS concerns human resources and payroll. Implementation of this phase has involved both Finance and the Public Service Commission (PSC). Representatives from the two agencies co-chaired the steering committee leading the project. Although the two agencies jointly managed the project, budget responsibility was with Finance until implementation April 1, 2006. Since that date, PSC is responsible for the system.

In October 2006, we reviewed how management of Finance and the PSC acted on our recommendations from the first phase of MIDAS in implementing Phase 3. We did not audit overall project management for Phase 3. Nor did we evaluate the adequacy of the controls over MIDAS human resources and payroll system. We plan to audit these controls and report the results in a future report.

Not all project costs tracked

In 2003, we recommended that the Department of Finance track and monitor all MIDAS project costs, including other departments' costs.

Finance had budget responsibility for Phase 3 of MIDAS until implementation. Finance tracked its out of pocket costs for the project. This included the cost of staff seconded to Finance for the project.

However, Finance did not track the costs incurred by departments in their involvement in the development, testing, and implementation of the new system. Also, staff at individual departments spent significant time training to use the new HR system.

It is a fundamental principle of project management and transparent government that the full costs of projects be disclosed. Because Finance did not track all project costs, legislators and the public cannot know the true cost of the project.

We continue to recommend that the Department of Finance track and monitor all costs incurred on projects.

Contingency plan in place

In 2003, we recommended that, for future phases, the Department of Finance use a written contingency plan approved by the project steering committee.

Finance and PSC had a written process for managing project issues. The process was part of the overall plan (Project Charter) that had been approved by the project steering committee to govern the project. The project demonstrated use of this process in managing issues that arose. In addition, the project steering committee had plans to manage circumstances that could have impacted the budget, timing, and quality of the project. These contingency plans were documented in steering committee minutes or separately. We are satisfied that an approved contingency plan was in place.

This page left blank intentionally.

Justice

16

Main points 372

Introduction 373

Our audit conclusions and findings 374

- System to enforce and collect fines needs improvement 375
  - Recording, tracking, and enforcement of tickets 375
  - Collection of unpaid fines 377
- Information technology security needs to be strengthened 377
- Business continuity plan needs improvement 378
- Human resource plan needs improvement 378
- Public Guardian and Trustee of Saskatchewan 379
  - Better controls over payments needed 380

Main points

The Department of Justice (Justice) needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges. As a result, Justice may not achieve its goals of safer communities and upholding the rule of law.

Justice needs to complete and implement its business continuity plan and improve its human resource plan.

The Public Guardian and Trustee of Saskatchewan needs to improve its controls over payments made on behalf of dependent adults to prevent duplicate payments.

Introduction

The mandate of the Department of Justice (Justice) is to promote safe communities, social and economic order, and fair and just relations. Justice carries out its mandate through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

Justice provides legal services for the Government, and justice and police services for the people of Saskatchewan. Justice also administers registry systems for corporations and local registrars (including trust accounts), and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show expenses of $356 million for the year ended March 31, 2006 for the protection of persons and property.

The following table shows the total government expenses for protection of persons and property by agency.

	(in millions of dollars)	
	2006	2005
Department of Justice	$ 217	$ 202
Department of Corrections & Public Safety	140	120
Less expenses by Justice and Corrections for purposes other than the protection of persons and property	(59)	(58)
Information Services Corporation of Saskatchewan	36	34
Department of Labour	15	14
Other government agencies	7	7
	$ 356	$ 319

For the year ended March 31, 2006, Justice spent $217 million on its programs and earned revenues of $59 million. Information about Justice's revenues and expenses appears in Justice's 2005-2006 annual report (www.saskjustice.gov.sk.ca).

The following is a list of Justice's major programs and spending as reported in the *2005-06 Public Accounts: Volume 1: Main Financial Statements:*

	Original Estimates	Actual
	(in millions of dollars)	
Community justice	$ 110	$ 110
Court services	37	38
Marketplace regulation	5	5
Central management and services	19	19
Legal services	19	20
Boards and commissions	22	25
	$ 212	$ 217

Justice is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2006. These include:

Law Reform Commission of Saskatchewan
Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Public Guardian and Trustee of Saskatchewan
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Saskatchewan Legal Aid Commission Pension Plan
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices
Victims' Fund

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **Justice and its agencies had adequate rules and procedures to safeguard public resources except as described in this chapter**

- **Justice and its agencies complied with the authorities governing their activities relating to financial reporting,**

safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

- **the financial statements for the agencies and funds are reliable**

System to enforce and collect fines needs improvement

Justice is responsible to track, enforce, and collect fines for offences under various provincial and federal laws. The purpose of a deterrent such as a fine or jail is to discourage the public from violating the law. If deterrents are not enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

Justice's processes for administering fines include:

- controlling the distribution and receipt of tickets to and from law enforcement agencies
- ensuring the accurate and complete recording, tracking, and enforcement of tickets
- controlling the recording and receipt of fine payments
- collecting unpaid fines

Justice estimates that law enforcement agencies issue between 130,000 and 150,000 tickets each year.

In this section, we describe weaknesses in Justice's processes to record issued tickets and collect unpaid fines.

Recording, tracking, and enforcement of tickets

Justice needs to improve its processes for the receipt of tickets and informations. Informations are charges or complaints generally made under *The Criminal Code of Canada*. Improvements in processes are necessary so that Justice properly enforces fines and criminal charges. Several provincial government agencies, as well as other levels of government (i.e., federal and municipal), rely on Justice to enforce fines and charges issued under various provincial and federal laws.

For purposes of this chapter, we refer to tickets and informations as tickets. Tickets may result in either fines or criminal charges. We expected Justice to have processes to know:

- the tickets issued by law enforcement agencies
- unissued tickets

We expected Justice to have cost-effective processes to track tickets directly or require law enforcement agencies (agencies) to provide it with periodic reports on their tracking of tickets.

Justice does not have processes directly or through agencies to track issued and unissued tickets. As a result, it does not know if it has recorded all tickets issued by agencies.

Our tests show that Justice cannot account for tens of thousands of tickets distributed to agencies over the past five years. Justice does not know if these missing tickets have been issued, voided, cancelled, or lost. As a result, Justice does not know if it has enforced all fines and criminal charges. This lack of rules and procedures could result in Justice not achieving its goals of safer communities and upholding the rule of law.

On February 18, 2002, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendations.

We continue to recommend that Justice strengthen its procedures to ensure that Justice records the tickets issued by law enforcement agencies.

During the June 1, 2004 meeting of PAC, the Deputy Minister told the Committee that Justice planned to review, on a sample basis, outstanding tickets in its information system and use the information to guide future practices. In the April 12, 2005 meeting of PAC, the Deputy Minister told the Committee that this review was in progress. This review was completed in 2005-06, and Justice was unable to find any of the unaccounted for tickets in its sample. During the February 6, 2006 meeting of PAC, the Deputy Minister told the Committee that Justice has developed a policy requiring law enforcement agencies to return all issued, spoiled, or voided tickets. Justice informed the law enforcement agencies that this policy is effective April 1, 2006.

Collection of unpaid fines

For several years, we made recommendations that Justice improve its procedures for collecting court-ordered fines. Justice has implemented all but one of these recommendations.

In January 1999, PAC recommended that procedures be developed to ensure that when repeat offenders appear in court, the sentencing judge will be informed if previous fines are unpaid.

Justice carried out a pilot project. The Deputy Minister reported the results at the April 12, 2005 meeting of PAC. The Deputy Minister told the Committee that the limitations of Justice's existing fines system prevent Justice from efficiently providing this information to the courts. This system is in the process of being replaced, and Justice intends to explore the feasibility of automated tracking of this information. At the February 6, 2006 meeting of PAC, the Deputy Minister told the Committee that Justice expects to implement the new system by the end of 2007.

We continue to recommend that Justice ensure that when repeat offenders appear in court, Justice informs the sentencing judge of any unpaid fines.

Information technology security needs to be strengthened

Justice needs to ensure it has strong security to protect its information technology (IT) systems and data.

Justice has implemented some security policies including controls for managing physical security and for making its IT systems available when needed. However, Justice needs to follow its policies and procedures for removing user accounts and for monitoring network security. Justice also needs to ensure it promptly updates and maintains its systems against known security risks.

Without strong security processes, Justice cannot ensure the confidentiality, integrity, and availability of its systems and data.

1. **We recommend that the Department of Justice secure and monitor access to information technology systems and data.**

Business continuity plan needs improvement

Justice needs to complete its business continuity plan[1] to help ensure that it can continue to deliver its critical services in the event of a disaster.

Justice has identified responsibilities that would be required to respond to a department emergency. Justice identified its critical services and is completing the development of plans for them. Justice has set up a committee to clearly prioritize which functions would be recovered and when and ensure all key staff are aware of the priorities. Justice needs to improve its documentation of its procedures for implementing the plan, for central coordination of the plan, and for coordination between the branches.

On February 6, 2006, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department of Justice complete and implement its business continuity plan.

Human resource plan needs improvement

Justice needs to improve its human resource plan. Effective human resource planning helps Justice to have the right people, in the right jobs, at the right time.

Justice has a human resource plan for 2006-2007. We assessed this plan against the key elements of a human resource plan as discussed below.

---

[1] **Business Continuity Plan** (BCP)-Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)-Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should identify key human resource risks and gaps that exist in current and future available resources. The plan should set out strategies and implementation plans to address human resource risks and gaps.

We found that Justice's human resource plan sets priorities, identifies key human resource risks, and explains Justice's current human resources. It also looked at projected retirements. The plan does not quantify what resources Justice needs to achieve its strategic goals or what resources will be available internally and externally in the future. Therefore, Justice did not assess adequately the expected human resource gap. The plan sets out strategies and broad action plans to address the human resource risks identified. Justice has also developed action plans to implement many of the strategies including assigning responsibility, setting timelines for completion, and regular reporting on progress. Measurable indicators and targets were not set out in the plan to help Justice monitor its progress. We note that Justice does report regularly to the Public Service Commission as required.

2. **We recommend that the Department of Justice improve its human resource plan by:**

- **quantifying its human resources needs**
- **providing details on the human resource gap between actual and required resources**
- **providing measurable indicators and targets**

Public Guardian and Trustee of Saskatchewan

The Office of the Public Guardian and Trustee of Saskatchewan (Guardian) administers the property and financial affairs of approximately 7,400 clients. Clients include dependent adults, children, and estates. The Public Guardian and Trustee is assisted by two Deputy Public Guardian and Trustees and approximately 37 staff.

For the year ended March 31, 2006, the Guardian acquired $44.5 million, disbursed $35.9 million, and held assets worth $149.6 million on behalf of its clients. The Guardian holds the majority of clients' assets in an investment fund. The Guardian is also responsible for personal items of clients, such as real estate, vehicles, furniture, appliances, and miscellaneous items.

Clients depend on the Guardian to manage their financial affairs. The Guardian is responsible for protecting clients' assets and making financial decisions and payments on their behalf. The Guardian needs strong administrative systems to carry out these duties. Without strong administrative systems, the clients' assets and the administration of their financial affairs are vulnerable.

Better controls over payments needed

The Guardian needs better controls over the payments it makes on behalf of dependent adult clients (its clients).

In 2005-06, the Guardian paid $20.6 million to suppliers on behalf of dependent adults.

The Guardian's payment system does not prevent the Guardian from paying a supplier twice for the same transaction. For some payments (e.g., overdue and urgent payments), a supplier sometimes sends the Guardian a second invoice. When this occurs, there is increased risk that the Guardian will pay the supplier twice.

We did a computerized search of all dependent adult payments the Guardian made during the year ended March 31, 2006. In total, the Guardian made 79 duplicate payments totalling $16,000. It recovered 70 or approximately $14,000 of these duplicate payments and it is continuing efforts to recover the remainder.

If the Guardian does not recover all of the remaining $2,000 of duplicate payments, the amounts not recovered are losses to the Crown.

Without strong payment controls, the Guardian cannot properly administer the financial affairs of its clients.

3. **We recommend that the Public Guardian and Trustee of Saskatchewan fix its payment system to reduce the risk of duplicate payments.**

The Guardian told us that it is implementing additional controls such as staff awareness, staff education on new rules for processing invoices, and changes to the computer system to reduce the risk of duplicate payments.

This page left blank intentionally.

Government Relations

17

Main points **384**

Introduction **385**

Background 385

Related special purpose funds and agencies 385

Overview of Department's finances 386

Audit conclusions and findings **386**

Control over security and disaster recovery of IT systems 387

Status of previous recommendation—oversight of NRSTA 387

Main points

The Department of Government Relations (Department) needs to set up processes to protect the confidentiality, integrity, and availability of its information technology (IT) systems. Even though the Department uses the Information Technology Office to provide it with IT services, the Department must have adequate policies and processes over its IT systems. This would include having strong controls and processes to ensure only authorized users are granted access to its systems and data, and its systems are available when needed.

Introduction

In this chapter, we set out:

- a brief overview of the Department of Government Relations' (Department) mandate and finances
- the results of our audit of the Department for the year ended March 31, 2006

Background

The Department manages the provincial government's relations with other governments within Saskatchewan, in Canada, and abroad. Also, the Department:

- works with communities to support local governance, provide financial and technical support, and develop legislation, regulations, and other policies in response to the changing needs of municipal governments
- coordinates and manages matters related to Government House, French-language services, official protocol, provincial honours, and provides administrative services to the Office of the Lieutenant Governor

The Department's website contains its annual reports, other key publications, agreements, and further information about its programs. It is located at www.gr.gov.sk.ca/.

Related special purpose funds and agencies

At March 31, 2006, the Department was responsible for the following Crown agencies:

	Year-end
Government House Foundation	March 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31

Each year, the Legislative Assembly (Assembly) receives the annual audited financial statements of each agency and the annual report of the Foundation. These are available at www.gov.sk.ca/finance/.

We reported the results of our audits of the Municipal Potash Tax Sharing Administration Board and the Northern Revenue Sharing Trust Account (NRSTA) in our 2006 Report – Volume 1.

Overview of Department's finances

For the year ended March 31, 2006, the Department had revenues of $41.3 million (2005-06: $12.3 million) including $40.8 million from the Federal Government. Also, it spent $198.2 million (2005-06: $147.3 million). The following is a list of major programs and spending for the year ended March 31, 2006.

	Original Estimates	Actual
	(in millions of dollars)	
Central Management and Services	$ 5.3	$ 5.8
Intergovernmental Relations	4.4	4.2
Municipal Financial Assistance	143.3	170.8
Municipal Relations	5.1	4.4
New Deals for Cities & Communities	-	8.3
Other	-	1.2
Provincial Secretary	2.3	2.5
Saskatchewan Municipal Board	1.1	1.0
	$ 161.5	$ 198.2

The Department's 2005-06 Annual Report explains significant differences between its planned and actual revenue and expenses.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Department had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **the Department complied with authorities governing its and the Foundation's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **the financial statements of the Foundation are reliable**

Control over security and disaster recovery of IT systems

The Department's service level agreement with the Information Technology Office (ITO) does not address the areas of IT security and disaster recovery.

Since January 2005, the Department uses ITO to provide it with its IT services. Even though the Department uses ITO, the Department remains responsible for having adequate policies to support its information technology requirements.

The Department's agreement with ITO sets out the scope, level, and quality of services ITO provides to the Department. However, the agreement does not include adequate provisions for security or the on-going availability of key IT services.

1. **We recommend that the Department of Government Relations confirm, in writing, processes and policies that ITO uses to address the Department's specific IT security and disaster recovery requirements, and then identify and set up additional policies unique to the Department as necessary.**

In August 2006, management told us it is negotiating a memorandum of understanding with ITO to address the Department's security and disaster recovery concerns.

Status of previous recommendation—oversight of NRSTA

The Department continues to take steps to address previously reported concerns about its processes to oversee NRSTA.

Chapter 7 of our 2003 Report – Volume 3 reported concerns over the operations of the NRSTA. It recommended that the Department set up a process to oversee NRSTA's operations including setting out the reports necessary to monitor NRSTA effectively. Chapter 8 of our 2005 Report – Volume 1 and Chapter 8 of our 2006 Report – Volume 1 reported on the Department's progress and noted more work remained.

During the year, the Department set out the key information it needs to monitor the operations of the NRSTA and a process to monitor better the receipt and review of this information from NRSTA's management. It expects this process will enable it to oversee NRSTA's operations effectively.

Our Office will assess the use of this process in future audits.

Northern Affairs

18

Main points 390

Introduction 391

Audit conclusions and findings 391

    Better management of loan program required 392

    Loan agreements need proper documentation 393

Main points

The Department needs to follow its established procedures for approving loans and having all required loan documents completed before disbursing loans.

Also, the Department needs to improve the management of its Northern Development Fund Loan Program. The program provides fixed-term loans to persons in Northern Saskatchewan for economic development. The Department needs to ensure that its employees adequately monitor the outstanding loans and document evidence of such monitoring.

Introduction

The *Department of Northern Affairs Regulations* made under *The Government Organization Act* established the Department of Northern Affairs (Department) (formerly the Office of Northern Affairs-Department of Industry and Resources).

The Department has the mandate "to promote the social and economic development of northern Saskatchewan communities in partnership with the Federal Government and northern communities by supporting regional development and development of businesses and industries, and coordinating government activities".[1]

The Department has a program, called the Northern Development Fund, to help develop business in northern Saskatchewan. Under this program, the Department makes loans with fixed terms and interest to eligible persons beginning or operating businesses in northern Saskatchewan.

For the year ended March 31, 2006, the Department received $5.5 million from the General Revenue Fund to provide programs and services. The Department also had an approved budget of $2.0 million for loans for the year. During the year, the Department made loans totalling $1.8 million.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Department had adequate rules and procedures to safeguard public resources except for the matter described below**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described below**

---

[1] Saskatchewan. Department of Finance. (2005). *2005-06: Saskatchewan provincial budget: estimates.* Regina. Page 111.

Better management of loan program required

The Department manages the Northern Development Fund (NDF) Loan Program. Under the NDF loan program, the Department approves fixed-term loans to persons in northern Saskatchewan for economic development. The Department's strategic plan sets out the goals and objectives of this loan program. The Department is responsible to monitor the loans and collect the amounts due.

In our 2005 Report – Volume 3, we recommended that the Department receive and analyze the borrowers' financial and operating information as required by its loan agreements for the NDF loan program. We made this recommendation because the Department did not have adequate processes to monitor outstanding loans to ensure the loan program is meeting the Department's goals as set out in its strategic plan.

To effectively monitor the loan program, the Department must assess the loan performance, document follow-up of accounts, determine if the borrower continues to comply with the terms of the loan agreement, and when a loan should be written off. During the year, we found that although staff appeared to be generally aware of the status of the loans, the loan files did not always have adequate evidence of monitoring of loans.

Also, the Department has not yet established and communicated conflict-of-interest guidelines for approving loans. Without conflict-of-interest guidelines, the Department is at risk of making inappropriate loans, resulting in a loss of public money. The Department needs to establish guidelines consistent with the conflict-of-interest policies established by the Public Service Commission.

In May 2006, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

We continue to recommend that the Department of Northern Affairs receive and analyze the borrowers' financial and operating information as required by its loan agreements.

Loan agreements need proper documentation

The Department needs to ensure that properly signed loan agreements exist and all required loan documents are complete before employees disburse loans under The Northern Development Fund Loan Program.

The Department requires its employees to ensure a properly signed loan agreement exists and all other loan documents are complete before disbursing the loans. To help employees do so, the Department has established a delegation of authority and communicated requirements for other loan documents. However, staff did not always follow the established procedures. As a result, the Department made loan agreements without proper authority and disbursed loans without completing all the required loan documents. We found about 50% of the files did not have properly approved loan agreements and/or loan documents.

Inadequate loan approval and monitoring processes increase the risk that the Department may not achieve its objectives for providing the loans and may not collect amounts due.

1. **We recommend that the Department of Northern Affairs follow its established procedures for approving loans and having all required loan documents completed before disbursing loans under The Northern Development Fund Loan Program.**

This page left blank intentionally.

First Nations and Métis Relations

19

Main points **396**
Introduction **397**
    Background 397
    Related special purpose fund 397
    Overview of Department's finances 397
Audit conclusions and findings **398**
    Complete performance planning needed 398
    Human resource plan needed 399
    Follow-up of prior recommendations 400

Main points

In this chapter, we report that the Department of First Nations and Métis Relations (Department) is improving its monitoring of $33.3 million provided to the First Nations Trust Fund and four community development corporations (organizations). It is starting to receive the required information sooner from these organizations and is working with them to address reported problems. However, it did not yet receive sufficient information to know if all of these organizations spend this money as permitted by law.

Also the Department needs to prepare a human resource plan and complete the development of its performance plan. Managing with complete and robust plans will help ensure the Department's success.

Introduction

In this chapter, we set out:

- a brief overview of the Department of First Nations and Métis Relations' (Department) mandate and spending
- the results of our 2006 audit of the Department

Background

The Department works with First Nations and Métis people and their organizations to advance common interests. It must provide leadership to help ensure First Nations and Métis priorities and issues are reflected in the provincial Government's policies and programs. It also helps ensure the Government fulfills its obligations for treaty land entitlement.

The Department's website contains its annual reports, other key publications, agreements, and further information about its programs (www.fnmr.gov.sk.ca/).

Related special purpose fund

At March 31, 2006, the Department was responsible for the Métis Development Fund (also called Clarence Campeau Development Fund). The Fund has a December 31 year-end. Each year, the Fund gives the Legislative Assembly its annual audited financial statements. These are publicly available as publications at www.gov.sk.ca/finance/. Our 2006 Report – Volume 1 sets out our 2005 audit of the Fund.

Overview of Department's finances

For the year ended March 31, 2006, the Department had revenues of $0.18 million (2005-06: $0.25 million) and, it spent $48.3 million (2005-06: $45.8 million). The following table lists its major programs and spending.

	Original Estimates[1]	Actual
	(in millions of dollars)	
Central management and services	$ 1.4	$ 1.4
Policy coordination and support for Aboriginal organizations	3.5	4.0
Treaty land entitlements	10.2	9.6
Gaming agreements	27.4	33.3
	$ 42.5	$ 48.3

The Department's 2005-06 Annual Report explains reasons for significant differences between its planned and actual revenues and expenses. The Department makes this report available on its website.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Department had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**

The following section sets out our detailed audit findings.

Complete performance planning needed

The Department's performance planning is not complete.

Complete performance plans help departments set a clear direction, be realistic about its outcomes and resources, and make informed resource allocation decisions.

---

[1] *Public Accounts 2005-2006: Estimates* – First Nations and Métis Relations, Vote 25.

The Government, through the use of its Accountability Framework, expects departments to prepare performance plans. In addition, the Government expects departments to develop targets that set out the level of performance they plan to achieve in the upcoming year.[2] As yet, the Government does not expect departments to publish their targets in performance plans.

In April 2006, the Department published its first performance plan – the 2006-07 Performance Plan. This Plan contains most of the information that the Government expects. For example, the Plan sets out the Department's vision, mandate, goals, and related objectives.

As noted in the plan, the Department has not yet developed performance measures for four of its eight objectives. Also, at June 2006, the Department had not set targets for its performance measures. Targets provide the basis for evaluation. Without them, it is difficult to monitor performance.

1. **We recommend that the Department of First Nations and Métis Relations complete the development of its performance plan including the identification of measures and selection of performance targets related to its goals and objectives.**

Human resource plan needed

The Department does not have a human resource plan.

Effective human resource planning helps the Department to have the right people, in the right jobs, at the right time.

A good human resource plan needs to set priorities and link to the Department's strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

---

[2] 2006 – 2007 Planning Guidelines are available at: http://www.gov.sk.ca/finance/accountability/2006_2007/PlanningGuidelinesDetail2006-07.pdf. Accessed August 22, 2006.

The Public Service Commission has provided departments with guidance on the preparation of human resource plans[3].

The Department has about forty staff (based on full-time equivalents). Under a service arrangement, the Public Service Commission assists the Department in some of its human resource functions.

2. **We recommend that the Department of First Nations and Métis Relations prepare a human resource plan.**

The Department told us that it expects to work with the Public Service Commission to develop its human resource plan.

Follow-up of prior recommendations

In past reports, we have reported that the Department needed to better monitor spending by the First Nations Trust Fund and the four community development corporations (CDCs) to ensure money it provides to them is spent as required by law.

Chapter 12 of our 2005 Report – Volume 3 reported that the Department, at October 2005, had not received all of the requested reports[4] related to the organizations' (i.e., the First Nations Trust Fund and four CDCs) March 2005 year-end. By December 2005, the Department received all but one of the missing reports. It worked with the related organization and withheld funds until it received this report in June 2006.

During the year, the Department continued to work with the organizations to encourage timely correction of reported problems. It also worked directly with each organization to help them better understand its role, its information needs, and to identify ways to improve the quality and timeliness of information they must provide the Department.

---

[3] 2006/07 Human Resource Planning Guidelines are available at: http://www.gov.sk.ca/psc/hrmanagement/hrplanning/guidelines.pdf and the Human Resources Planning Checklist is available at: http://www.gov.sk.ca/psc/hrmanagement/hrplanning/checklist.pdf. Accessed August 23, 2006.

[4] Pages 272 and 273 of the 2005 Report – Volume 3 Chapter 12 lists, in detail, the reports that the Department had and had not received by October 2005 and problems reported.

At the time of the audit, the reports for the March 2006 were not yet due from the organizations. Our Office will continue to monitor the Department's actions and report its progress in future reports.

We continue to recommend:

- the Department of First Nations and Métis Relations follow all of its processes to ensure the First Nations Trust Fund spends public money as required by law
- the Department of First Nations and Métis Relations ensure it receives sufficient and timely information from each community development corporation to determine if each corporation properly managed public money and spent it only as permitted by law

The Standing Committee on Public Accounts agreed with the above recommendations on October 26, 2005 and June 15, 2004, respectively. It last discussed this matter on February 6, 2006.

This page left blank intentionally.

Highways and Transportation

20

Main points **404**

Introduction **405**

Financial overview 405

Our audit conclusions and findings **406**

Information technology agreement required 407

Business continuity plan required 408

Human resource plan needs to identify responsibility for implementing strategies 409

Succession planning—follow-up **410**

Main points

Since April 2005, the Department of Highways and Transportation has received information technology services from the Information Technology Office without having a written agreement. Highways relies on its computer systems to operate. Written agreements typically set out the responsibilities of each party (e.g., the nature, level, and type of services expected), and are vital to monitor the delivery of service.

Highways needs to complete its business continuity plan. Complete and accessible business continuity plans would help Highways respond to unforeseen events or disasters efficiently and effectively.

Introduction

The Department of Highways and Transportation's (Highways) mandate is to optimize transportation's contribution to the social and economic development of Saskatchewan by operating, preserving, and guiding the development of the provincial transportation system and enhancing provincial transportation system assets. Highways also provides analysis and advice to Cabinet on federal transportation policy.

The transportation system includes more than 26,000 km of highways, more than 800 bridges, 18 airports in northern Saskatchewan, 12 ferries, and a barge on Wollaston Lake. This infrastructure has a book value of about $1.4 billion.

Highways is responsible for the Transportation Partnership Fund. For the year ended March 31, 2006, the Fund had revenues of $3.9 million, expenses of $2.0 million, and held net assets of $3.6 million.

Highways' website contains its annual reports, the Fund's audited financial statements, and other key publications and information about Highways (www.highways.gov.sk.ca/).

Financial overview

Information about the Department's expenses and revenues appears in its 2005-06 Annual Report.

The following is a list of its major programs and spending:

	Original Estimates[1]	Actual
	(in millions of dollars)	
Central Management and Services	$ 16.2	$ 15.3
Preservation of Transportation System	80.1	82.0
Operation of Transportation System	69.1	76.2
Transportation Policy	2.0	1.8
Machinery and Equipment	7.5	7.5
Capital Asset Acquisition	(9.0)	(9.5)
Capital Asset Amortization	94.4	90.6
	$ 260.3	$ 263.9
Infrastructure Rehabilitation	43.5	39.9
Infrastructure Enhancement	81.6	84.9
	$ 125.1	$ 124.8
Total	$ 385.4	$ 388.7

Highways also performs custom work on a full-cost recovery basis for municipalities, Crown corporations, and other organizations. For the year ended March 31, 2006, it spent and recovered $5.7 million. In addition, it had revenues of $33.8 million of which $30.2 million is from the Federal Government under cost-share agreements.

Our audit conclusions and findings

In our opinion, for year ended March 31, 2006:

- **Highways had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter**
- **Highways complied with authorities governing its and the Fund's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

---

[1] Saskatchewan Finance, Saskatchewan Estimates 2005-06, Vote 16 Highways and Transportation and Vote 17 Highways and Transportation Capital.

- **the Fund's financial statements are reliable**

Information technology agreement required

Highways needs an agreement with the Information Technology Office (ITO) for services provided by ITO.

ITO began providing services to Highways April 1, 2005. These services include:

- acquiring and maintaining computer equipment
- client support
- information technology applications development and project management services

Highways relies on its information systems to monitor construction and maintenance costs, progress of work, and capital asset management throughout the province. Highways also relies on its information systems for accurate public reporting of its operations.

Highways needs to manage its information technology resources to ensure uninterrupted and efficient operations. It is also responsible for ensuring the accuracy of processing and that there is a clear understanding of the responsibilities of both Highways and ITO. For example, without an adequate agreement, Highways may not know if or when ITO would restore Highway's systems if a disaster occurred. As of October 2006, Highways has not signed an agreement with ITO.

1. **We recommend that the Department of Highways and Transportation complete a service agreement with the Information Technology Office.**

Highways management has indicated that Highways and ITO are continuing negotiations towards completing a service level agreement for services provided by ITO.

Business continuity plan required

Highways needs a written, tested, and approved business continuity plan[2] to ensure continuation of services if a disaster occurs. Critical services include highways maintenance, airport operations for the 18 provincial airports, and road information services.

Highways must provide these services even if a disaster disrupts its ability to operate and provide normal services. Without an adequate business continuity plan, Highways risks not being able to provide critical services in a timely manner.

Business continuity plans should:

- Be supported by management. Management should make the required resources available to create and maintain the business continuity plan.
- Be based on a threat and risk assessment. This would include identifying and ranking Highway's critical services.
- Include plan activation and notification procedures; emergency procedures that would be used in the event of a disaster; and steps for the recovery and restoration of critical services.
- Be documented, approved by management, and made easily accessible when the plan needs activation.
- Be tested initially and on an on-going basis.
- Include policies for on-going maintenance and updating of the plan.

Highways has documented some parts of a business continuity plan, but does not have a complete plan. For example, it maintains a labour strike contingency plan and is currently working on a detailed risk assessment. However, it has not developed or documented all the key components of a business continuity plan.

---

[2] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions. A disaster recovery plan is one component of a business continuity plan. Disaster recovery plans are plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as contingency plan).

Highways needs to identify and rank its critical services and document in a detailed business continuity plan the steps for recovery and restoration of critical services such as snow plowing operations. Also, Highways needs to ensure it periodically updates and tests its business continuity plan.

2. **We recommend that the Department of Highways and Transportation prepare a complete business continuity plan.**

Human resource plan needs to identify responsibility for implementing strategies

Highways' human resource plan for 2006-2007 does not identify responsibility for implementing major human resource strategies. Effective human resource planning helps ensure that Highways will continue to have the right people, in the right jobs, at the right time.

A comprehensive human resource plan should:

- set out human resource priorities that are linked to the strategic direction
- describe key human resource risks
- outline gaps in current human resources
- describe strategies to bridge gaps and address risks
- outline implementation plan of major strategies

Highways' human resource plan has most parts of a comprehensive human resource plan. The plan sets out the links to the strategic direction, identifies risks, outlines gaps, and describes its strategies. However, the plan does not identify who is responsible for implementing major strategies or how Highways will monitor the implementation and measure the achievement of planned results.

3. **We recommend that the Department of Highways and Transportation revise its human resource plan by assigning responsibility to implement and monitor planned strategies.**

Succession planning—follow-up

This section highlights Highways' progress towards implementing the recommendations made in our 2004 Report - Volume 1. We reported on the adequacy of Highways' succession plan for key positions. We recommended that Highways:

- develop and implement learning and development plans to ensure needed competencies are available
- implement its plan to recruit and retain staff for key positions

At October 2006, Highways has developed and implemented learning and development plans, and implemented its plan to recruit and retain staff for key positions.

Industry and Resources

21

Main points 412

Introduction 413

Our audit conclusions and findings 414

Better human resource plan needed 415

Main points

The Department of Industry and Resources (Department) needs to improve its human resource plan to ensure it has the right employees, in the right jobs, and at the right time to meet the Department's goals and objectives.

The Department should document its human resource needs and the resources required. The Department also needs to assign responsibility to implement the human resource strategy.

Introduction

The Department of Industry and Resources (Department) is responsible for stimulating business investment and promoting development of the province's resource sector. The Department is also responsible for the administration of the *Tourism Authority Act*.

The Department's mandate is "to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, work with businesses to expand the Saskatchewan economy by promoting, co-ordinating, and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."[1]

The Department received $62.4 million from the General Revenue Fund for its programs. Information about the Department's revenue and expenses appears in its annual report and in the *Public Accounts 2005-06: Volume 2: Details of Revenue and* Expense (see www.gov.sk.ca/finance/paccts). The following tables show the Department's major program spending and revenue.

Spending

	Original Estimates	Actual
	(Millions of dollars)	
Investment Programs	$ 17.7	$ 15.0
Non-Renewable Resources	14.6	22.2
Industry Development	7.5	7.1
Administration	8.1	7.4
Transfer to Tourism Saskatchewan	7.9	7.9
Transfer to Saskatchewan Trade and Export Partnership Inc.	2.8	2.8
	$ 58.6	$ 62.4

---

[1] Saskatchewan. Department of Finance. (2006). *2006-2007 Saskatchewan Provincial Budget: Estimates*. Regina: Author. page 93.

Revenues

	Original Estimates	Actual
	(Millions of dollars)	
Natural Gas	$ 191.4	$ 269.0
Oil	656.3	1,125.0
Potash	293.0	278.0
Other	51.4	68.8
	$ 1,192.1	$1,740.8

The Department is also responsible for the Oil and Gas Environmental Fund (Fund). The purpose of the Fund is to provide a mechanism to clean up abandoned wells and respond to environmental problems associated with the exploration, development, production, and transportation of oil and gas.

In 2005-06, the Fund had revenue of $80,937 and incurred no expenses. At March 31, 2006, the Fund held assets of $2.9 million. The Fund's financial statements are included in its annual report.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Department had adequate rules and procedures to safeguard public resources except that it needs to improve its human resource plan as described below**

- **the Department complied with the authorities governing its and the Fund's activities regarding financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except that payments to NewGrade Energy Inc. were without authority[2]**

- **the financial statements of the Oil and Gas Environmental Fund are reliable**

---

[2] See Appendix 2, page 2-11.

Better human resource plan needed

In 2005-2006, the Department did not have an adequate human resource plan. An adequate human resource plan would help the Department to ensure it has the right employees, in the right jobs, and at the right time.

An adequate human resource plan would:

- set out priorities and human resource needs and should link to strategic direction of the Department
- identify key human resource risks and any competency gaps in current resources
- set out strategies and implementation plans to bridge competency gaps

The Department's Human Resource Strategic Plan contained information about its current employees and their competencies. The plan, however, did not include information about the Department's future human resource needs, i.e., number, type, and location of employees and required competencies. Nor did the plan set out the resources the Department would need and when. Also, the plan did not identify who is responsible to implement the planned strategies to meet the human resource needs.

1. **We recommend the Department of Industry and Resources improve its human resource plan by documenting its future human resource needs (number, type, and location of employees and required competencies) to meet the Department's goals and objectives.**

2. **We recommend the Department of Industry and Resources improve its human resource plan by documenting what resources it requires and when to meet its human resource needs.**

3. **We recommend the Department of Industry and Resources improve its human resource plan by assigning responsibility to staff to implement planned strategies to meet its human resource needs.**

Management told us that the Department uses the Public Service Commission's (PSC) guidelines for human resource planning and that the revisions to the PSC's guidelines for 2006-2007 will help meet the above recommendations.

This page left blank intentionally.

Labour

22

Main points 418

Introduction 419

Our audit conclusions and findings 419

Worker's advocates assist injured workers—a follow-up 420

Background 420

Improved processes assist workers with claims 421

Main points

We audited whether the Department of Labour safeguarded public resources and complied with the law. It did so.

We also followed up our earlier audit of the Department's processes for assisting clients of its worker's advocate program. The Department has improved its processes. It has set clear performance expectations for the program. Also, the Department monitors the program's achievement of these expectations.

Introduction

The Department of Labour (Department) works with employees and employers to promote health and safety, co-operation, fairness, and equity in Saskatchewan workplaces. In co-operation with working people, unions, employers, and others, the Department is responsible to:

- develop, promote, and enforce the legislative framework for labour relations, labour standards, and occupational health and safety
- provide prevention, education, and training services for Saskatchewan workplaces
- help prevent and resolve workplace disputes
- develop policies and programs that lead to safe, fair, and productive workplaces

The following is a list of major programs and spending reported in the Department's 2005-06 Annual Report (see www.labour.gov.sk.ca).

	Original Estimates	Actual
	(in millions of dollars)	
Occupational Health and Safety	$ 6.0	$ 6.0
Labour Support Services	1.8	1.7
Labour Standards	2.0	2.1
Central Management and Services	4.6	4.6
Other	0.4	0.4
	$ 14.8	$ 14.8

Our audit conclusions and findings

The following are our audit conclusions for the fiscal year ending March 31, 2006.

In our opinion:

- **the Department had adequate rules and procedures to safeguard public resources**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The remainder of this chapter describes the Department's progress up to September 2006 to provide timely help to workers to claim compensation for workplace injuries.

Worker's advocates assist injured workers—a follow-up

Background

One of the mandates of the Department is to assist injured workers who seek help to claim compensation from the Workers' Compensation Board (WCB). The Department carries out this mandate through the worker's advocate program.

In 2003, we audited the Department's processes to assist workers (or their dependants) who seek help with their claims for compensation from the WCB. In Chapter 8 of our 2003 Report – Volume 3, we reported our audit results. We concluded the Department had adequate processes to assist workers with their claims except for two areas where we made recommendations.

In 2004, we followed up our recommendations. We reported the results in our 2004 Report – Volume 3, page 260. Our follow-up found the Department had improved its ability to fulfill its mandate. The Department had dramatically reduced the length of time that injured workers had to wait for assistance.

In 2006, we again reviewed the Department's actions on our recommendations. The results of this review are set out below. The recommendations and our prior work are in italics. The Department has implemented our recommendations.

Improved processes assist workers with claims

In 2003, we recommended the Department should improve its processes to assist workers with their claims for compensation. We recommended the improvements include setting clear performance expectations and aligning resources to meet them. In 2004, we found that the Department had not yet set performance expectations.

The Department has improved its processes by setting clear performance expectations. The Department's 2006-07 Performance Plan and the 2005-06 Annual Report now refer to the worker's advocate program. The Performance Plan and the Annual Report describe how the Department measures the program's performance. The Department's performance measures include the length of time injured workers wait for the services of an advocate and the number of files waiting for the services of an advocate. The Department has performance targets for these measures that it uses internally. The Department aligns its resources and adjusts its services in light of its performance expectations.

In 2003, we recommended the Department should improve its processes to monitor the achievement of its performance expectations for worker's advocate services. We recommended the improvements include the regular review of written analysis of performance, for example by senior managers. In 2004, we found the Department had not yet improved its processes.

In 2006, the Department has improved its processes. As noted, the Department has set clear performance expectations for the worker's advocate program. It monitors whether it is achieving those performance expectations using a computerized tracking system. The Department also uses other tools and reports to evaluate the program's performance. Monitoring its performance assists the Department in aligning resources for the program and in making adjustments to the services it provides.

This page left blank intentionally.

Board of Internal Economy

23

Main points 424

Introduction 425

Key risks the Board faces 425

Our audit conclusions and findings 426

- Better plans and reports required 426
- Annual report needed 427
- Business continuity plan needs improvement 429

Main points

The Board of Internal Economy (Board) needs to make further improvements in three areas.

The Board needs to approve the plans and reports it uses to make decisions. The Board should receive reports that provide the information it requires to assess performance.

The Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

The Board needs to complete its business continuity plan to help it to continue to deliver its vital services in the event of a disaster.

Introduction

The Board of Internal Economy assists Members of the Legislative Assembly (MLAs) to perform their responsibilities. It provides funding and support services to MLAs, to the Legislative Assembly, and its committees. It also informs the public of the Legislature's activities. The Board provides administrative services for the Offices of the Ombudsman, the Children's Advocate, the Information and Privacy Commissioner, and the Conflict of Interest Commissioner.

In 2005-06, the Board received $19 million from the General Revenue Fund and spent this money on its programs. Information about the Board's expenditures appears in the *Public Accounts 2005-06: Volume 2: Details of Revenue and Expenditure* (www.gov.sk.ca/finance/paccts/).

The following is a list of major programs and expenses:

	Original Estimates	Actual
	(in millions of dollars)	
Payments and Allowances to MLAs	$ 11.3	$ 10.9
Legislative Assembly Services	4.4	4.3
Administration	2.2	2.3
Committees of the Assembly	0.1	0.1
Caucus Operations	1.5	1.4
	$ 19.5	$ 19.0

Key risks the Board faces

The Board plays a key role in helping MLAs with their important responsibilities. How MLAs carry out their duties influences the quality and effectiveness of the government and the public's confidence in our parliamentary system of government. Responsibilities of MLAs include:

- making the laws that govern people and the Executive Government
- holding the Executive Government accountable for how it carries out its activities

- representing their constituencies in the Legislative Assembly

In assisting MLAs to carry out their important responsibilities, the Board faces many risks. Four key risks the Board needs to manage are:

- to ensure the Legislative Assembly and its committees can function effectively
- to ensure MLAs can access from the Board appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Legislative Assembly
- to ensure MLAs can access appropriate resources from the Board to carry out their activities in their constituencies and are accountable for the use of those resources
- to ensure the public can assess whether the work of the Legislative Assembly and MLAs is relevant and done well

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- **the Board had adequate rules and procedures to safeguard public resources except where we report in this chapter**
- **the Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Better plans and reports required

The Board needs to approve its strategic plan and define the reporting it requires to make decisions.

The Board's plans should set out its goals, objectives, and the performance targets and measures needed to monitor its progress. The reports the Board receives should show the Board's progress in achieving its plans. This information would also provide a sound basis for preparing an annual report.

Management prepared a draft strategic plan in 2002 that was considered by the Board in February 2003. The plan has been discussed by the Board, but not yet approved. Management is waiting for further direction to revise and update the strategic plan. We look forward to the Board completing this work.

The Board has not defined its reporting requirements. The Board does not receive reports that show the effectiveness of the Board's programs and services (i.e., what results the Board expects and how it is progressing towards those expectations).

The Board receives quarterly financial reports that compare planned results to actual results with forecasts to the end of the year. These reports also include explanations of differences.

We also reported this matter in previous years.

1. **We continue to recommend that the Board of Internal Economy:**

    - **set and approve its operational goals and objectives**
    - **set performance targets and measures**
    - **monitor its progress in achieving its goals and objectives**
    - **define and document the operational reports it expects to receive from management**

Annual report needed

The Board does not prepare an annual report on its performance for the Legislative Assembly.

The Legislative Assembly and Executive Council Act does not require the Board to prepare an annual report. However, almost all government agencies provide the Legislative Assembly with an annual report. In addition, the Standing Committee on Public Accounts recommended that all departments provide timely annual reports on their activities.

To assess performance of public sector agencies, MLAs and the public need to know how an agency is managing its key risks. They also need to receive information about the agency's goals and objectives and how successful the agency has been in achieving those goals and objectives. Annual reports can provide this information.

To be good accountability documents, annual reports should also describe what the agency is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. To ensure that the information in the report is understandable and relevant, the annual report should be written clearly and be available promptly after the agency's year-end.

As we noted earlier, the Board also needs to improve its internal reports. These reports would provide a sound basis for the preparation of an annual report.

The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

We also reported this matter in previous years.

2. **We continue to recommend that the Board of Internal Economy prepare an annual report on its performance and provide the report to the Legislative Assembly.**

Business continuity plan needs improvement

The Board needs to complete its business continuity plan[1] to help it to continue to deliver its critical services in the event of a disaster.

During the year, the Board made progress in developing its business continuity plan. It identified its responsibilities that would be required to respond to in an emergency. Also, the Board has identified its vital services, including operating the Legislative Assembly, and is completing the development of plans for these services. The Board now needs to clearly prioritize which functions would be recovered and ensure key staff are aware of the priorities. The Board also needs to test the plan and improve the documentation of its procedures for invoking the plan, for central coordination of the plan, and ongoing maintenance.

3. **We continue to recommend that the Board of Internal Economy complete and implement its business continuity plan.**

---

[1] **Business Continuity Plan** (BCP)-Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)-Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

This page left blank intentionally.

Standing Committee on Public Accounts

24

Main points 432

Introduction 433

Overview of Committee's role and responsibilities 433

- The members of the Standing Committee on Public Accounts 435

Committee accomplishments 435

Status of recommendations of the Committee 436

- Key terms used in the exhibit 436

Summary 437

Exhibit—Status of outstanding Committee recommendations 438

Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations. During its review, the Committee can inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public assets. The Government has fully implemented 66% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 79% are partially implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee or PAC). It briefly describes what the Committee does, how it is structured, and how it works.

This chapter discusses the importance of the Committee's deliberations and recommendations and highlights some of its recent accomplishments. Also, in the exhibit, the chapter sets out the status of the Committee's outstanding recommendations. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing toward meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of nearly 300 agencies including departments, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval for the use of these resources through laws and the Legislative Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government and the financial statements of the General Revenue Fund (GRF). The second report contains details on revenues and expenditures (including a listing of salaries and wages) of some government agencies, details on capital asset acquisitions of those agencies, key financial information of some pension plans and trust funds administered by the Government, and a listing of taxes and fees. The reports are available at www.gov.sk.ca/finance/.

The Assembly refers the Public Accounts and the reports of our Office to the Committee. The Committee uses these reports to review the Government's management of public resources.

The Committee's main objective is to discuss and recommend actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of all government agencies (e.g., departments, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports on the results of our work at these agencies.

Government officials attend the Committee meetings and answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) is available to the public on the Committee's website www.legassembly.sk.ca/committees/.

The members of the Standing Committee on Public Accounts

As of October 2006, the members of the Committee were:

- Elwin Hermanson, Chair
- Joanne Crofford, Deputy Chair
- Lon Borgerson
- Ken Cheveldayoff
- Michael Chisholm
- Andy Iwanchuk
- Kim Trew

Committee accomplishments

Since the fall of 2005, the Committee met 11 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports include our 2005 Report (Volumes 2 and 3), and 2006 Report (Volume 1).

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's First Report to the 25th Legislature. The Committee presented this Report to the Assembly on December 1, 2005. That report contains over 180 recommendations. The Assembly concurred in the Report. The Government responded to the Report on May 2, 2006.

The Committee has not yet completed its review of the following reports of the work of our Office:

- 2005 Report – Volume 3 (three chapters outstanding)
- 2006 Report – Volume 1 (one chapter outstanding)
- 2006 Report – Volume 2
- Special Investigation Report regarding Oyate ataya WaKanyeja OwicaKiyapi Inc.

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 299 recommendations. Some of these recommendations take a number of years to implement. As of March 2006, the Government has fully implemented 66% (March 2005 – 91%) of the Committee's recommendations. The Government has partially implemented 79% (March 2005 – 80%) of the recommendations that are not fully implemented.

The Committee has asked us to monitor compliance with its recommendations and to report on their status. The exhibit provides an update on the status of the Committee's recommendations. The exhibit lists all of the Committee's recommendations that the Government has not yet fully implemented.

Key terms used in the exhibit

Each recommendation in the exhibit includes a reference to a "PAC Report Year." This refers to the year that the Committee first made the recommendation. The "Outstanding Recommendation" column of the exhibit sets out those recommendations that the Government has not yet fully implemented. The Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. In the exhibit, these recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying with the recommendations. In the exhibit, these recommendations are identified by a non-bolded number (e.g., 10-1) preceding them. The non-bolded numbers reflect the chapter and recommendation number of our related report.

For each outstanding recommendation, our Office has assessed the status of the recommendation and the progress made since our 2005 Report – Volume 3. We list the status of each recommendation as either not implemented or partially implemented. We do not list recommendations that are implemented. We indicate the date of our assessment in parentheses following the status. Generally, the date of our last assessment is based on the timing of our most recent audit work.

Not implemented – Based on the last assessment, the Government has not taken action on this recommendation.

Partially implemented – Based on the last assessment, the Government has taken some action on this recommendation.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

- clearly define the issue
- set out the sources of supporting information gathered by surveys, interviews, or literature searches
- outline the major factors involved—the pros and cons
- describe the action it proposes to take

Summary

In the last few years, the Committee has discussed broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government and better management of government operations.

Our Office will continue helping the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of the Committee's recommendations.

Exhibit—Status of outstanding Committee recommendations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	**CR9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at March 31, 2006). Plans have consistent estimates of inflation except for the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board.
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at March 31, 2006). The Government has not yet done a study to decide what type of information pension plan's annual reports should provide. Pension plans still need to improve their annual reports.
2002	PAC concurs: 8-1, that the Pension Plans should establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the law, or alternatively, the Pension Plans should seek changes to the law.	**Partially implemented** (as at March 31, 2006). Teachers' Superannuation Commission (TSC) and Workers Compensation Board Superannuation Plan amended their legislation. Other plans do not as yet have adequate rules and procedures to address this recommendation.
2005	PAC concurs: 10-1 that the Government's pension plan boards should develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the plan and its members,. and the key strategies to manage those risks.	**Partially implemented** (as at March 31, 2006). Some plans like Public Employees Pension Plan (PEPP), Municipal Employees' Pension Plan (MEPP), Saskatchewan Pension Plan, have done this. Others have not (e.g., Public Service Superannuation Plan (PSSP), TSC).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 10-2 that the Government's pension plan boards should clearly set out the specific responsibilities of the board including clear delegation of authority, and an education plan for board members and management.	**Partially implemented** (as at March 31, 2006). Some plans have (e.g., PEPP, MEPP, PSSP) done so.
2005	PAC concurs: 10-3 that the Government's pension plan boards should define and communicate the financial and operational information that the boards need to oversee the plans.	**Partially implemented** (as at March 31, 2006). Some plans have (e.g., PEPP, PSSP) done so.
2005	PAC concurs: 10-5 that the Government's pension plan boards should develop and implement written communication plans.	**Partially implemented** (as at March 31, 2006). Some plans have (e.g., PEPP, MEPP) done so.
2005	PAC concurs: 10-6 that the Government's pension plan boards should establish policies for periodic governance self assessment.	**Partially implemented** (as at March 31, 2006). Some plans have (e.g., PEPP, MEPP) done so.
Cross-Government (Infrastructure)		
2005	PAC concurs: 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.	**Partially implemented** (as at March 31, 2006). No progress in year. The Department continues to follow the Accountability Framework which does not require targets at this time.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 12-3 that the Saskatchewan Property Management Corporation should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its operational and financial plans, and explain significant differences between actual and planned results.	**Partially implemented** (as at March 31, 2006). No progress in year. The Department of Property Management (formerly Saskatchewan Property Management Corporation) continues to follow the Accountability Framework which does not require targets at this time.
2005	PAC concurs: 3-1 that the Saskatchewan Watershed Authority should obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007.
2005	PAC concurs: 3-2 that the Saskatchewan Watershed Authority should have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007.
2005	PAC concurs: 3-3 that the Saskatchewan Watershed Authority should set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007.
2005	PAC concurs: 3-4 that the Saskatchewan Watershed Authority should set long-term targets (e.g., five to ten years) for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities.	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Community Resources		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department of Community Resources and Employment should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2006). The Department does not yet evaluate the effect of case planning. No progress made in the past year.
1999	PAC concurs: 8-1 We recommend the Department [of Community Resources and Employment] should improve its records and document its procedures to ensure single parents receiving social assistance pursue child support.	**Partially implemented** (as at March 31, 2006). In 2004 the Department introduced a computer enhancement to track the effort of clients pursuing child support. Recent findings demonstrate significant improvements in this area.
1999	PAC concurs: 8-3 We recommend that the Department [of Community Resources and Employment] should ensure that community based organizations (CBOs) submit financial reports to the Department and submit them on time as required.	**Partially implemented** (as at March 31, 2006). The Department has refined its process to address this weakness and is taking action to obtain the necessary documents.
2002	PAC concurs: 6-2, that the Department of Community Resources and Employment should conduct adequate annual reviews to verify that only eligible recipients receive assistance and that they receive the correct amount of assistance.	**Partially implemented** (as at March 31, 2006). The Department has introduced a significant pre-audit process to ensure annual reviews are accurate and timely.
2005	PAC concurs: 3-1 that the Department of Community Resources and Employment should follow its policies to ensure that children in its care are protected and that payments to care providers are authorized.	**Partially implemented** (as at March 31, 2006). Compliance with policies is improving but not yet adequate.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 3-2 that the Department of Community Resources and Employment should strengthen its service agreements with CBOs [community based organizations].	**Partially implemented** (as at March 31, 2006). The Department is working to revise the service agreements with CBOs for implementation in the 2007-08 fiscal year.
2005	PAC concurs: 3-3 that the Department of Community Resources and Employment should prepare a business continuity plan.	**Partially implemented** (as at March 31, 2006). The Department is working on a business continuity plan.
2005	PAC concurs: 6-1 that the Department of Community Resources and Employment should establish adequate security processes for its information systems that adequately segregate employees' duties to initiate, revise and approve payments.	**Partially implemented** (as at March 31, 2006). Some progress made.
2005	PAC concurs: 6-4 that the Department of Community Resources and Employment should assess if the standard blanket fidelity bond (insurance) coverage reduces its risk of loss of public money to an acceptable level.	**Partially implemented** (as at March 31, 2006). The Department has strengthened a number of internal controls that impact on the risk of loss but has not yet examined the blanket fidelity bond.
2005	PAC concurs: 6-5 that the Department of Community Resources and Employment should assess the risk of loss of public money by employees in positions of trust (i.e. responsible for collection, receipt, disbursement or expenditure of public money) and reduce the risk of an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented** (as at March 31, 2006). The Department has implemented the criminal record check policy announced by the Public Service Commission in September 2005 but has not completed the risk assessment.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Community Resources (Saskatchewan Housing)		
2005	PAC concurs: 15-1 that the Saskatchewan Housing Corporation's capital plan should show: - the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e. performance measures); - the starting point of each measure (i.e. baseline); and - what the Corporation expects to achieve with the housing portfolio and by when (i.e. targets).	**Not implemented** (as at March 31, 2006). A follow-up is planned for 2007-08.
Department of Community Resources (Welfare to Work)		
2005	PAC concurs: 4-2 that the Department of Community Resources and Employment should select additional performance measures that directly assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The 2006 government reorganization created the Department of Advanced Education and Employment. Within Community Resources, work has continued on the development of a draft strategic plan that better reflects the mandate of income assistance programs.
2005	PAC concurs: 4-3 that the Department of Community Resources and Employment should establish baseline results and targets for each measure.	**Partially implemented** (as at March 31, 2006). The departments of Community Resources and Advanced Education and Employment continue to refine the service catalogue, services standards, and performance measures.
2005	PAC concurs: 4-4 that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets.	**Partially implemented** (as at March 31, 2006). The strategic plan and service catalogue are being developed with active participation from staff and management.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 4-5 that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures.	**Partially implemented** (as at March 31, 2006). The Department continues to collect data related to service indicators while work on 4-2 and 4-3 progress. In addition, client surveys have been undertaken to gather outcome information. Service agreements with CBOs (since transferred to the Department of Advanced Education and Employment) require detailed client outcomes.
2005	PAC concurs: 4-6 that the Department of Community Resources and Employment should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The Department has introduced analysis into management reports but has not yet set policies and procedures for data evaluation and analysis.
2005	PAC concurs: 4-7 that the Department of Community Resources and Employment should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.	**Not implemented** (as at March 31, 2006). Creation of reports is dependent upon the choice of performance measures.
Department of Environment		
1999	PAC concurs: 14.21 The Department [of Environment & Resource Management] should define and document its operational and compliance reporting requirements.	**Partially implemented** (as at March 31, 2006). Some progress made in the last year.
2002	PAC concurs: 10-2, that the Department of Environment and Resources Management should improve its rules and procedures for preparing and reporting on its prevention program.	**Partially implemented** (as at March 31, 2006). The Department has taken some steps to improve its education and fire prevention activities.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 14-1 that the Department of Environment and Resource Management should ensure staff follow the Department's established rules and procedures to control the Department's capital assets; and describe the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks of the key capital assets in its annual report.	**Partially implemented** (as at March 31, 2006). The Department has provided more information on its capital assets in its 2005-06 annual report, but more work is needed to control the Department's capital assets.
2003	PAC concurs: 14-2 that the Department of Environment and Resource Management should prepare a complete written information technology contingency plan based on a risk analysis and test that plan to ensure that it works. Your committee reports that the Department of Environment and Resource Management is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2006). The Department has documented some contingency procedures but does not yet have a complete, written, and tested IT contingency plan.
2005	PAC concurs: 9-1 that the Department of Environment should establish processes to collect money due from others.	**Partially implemented** (as at March 31, 2006). In March 2006 a collection policy was approved.
2005	PAC concurs: 9-2 that the Department of Environment should follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.	**Partially implemented** (as at March 31, 2006). The Department reconciled some bank accounts, but one of its bank accounts still is not reconciled up to date.
2005	PAC concurs: 7-1 that the Department of Environment should properly segregate the duties of the employees responsible for collection, receipt, disbursement, or expenditure of public money.	**Partially implemented** (as at March 31, 2006). Progress made during the year for collection and receipt of public money.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 7-4 that the Department of Environment should assess if the Government's standard blanket fidelity bond (insurance) coverage reduces its risk of loss to an acceptable level.	**Partially implemented** (as at March 31, 2006). The Department is working with the Department of Finance to assess coverage.
Department of Environment (Air Quality)		
2005	PAC concurs: 10-2 that the Department of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.	**Partially implemented** (as at March 31, 2006). Some progress made during the year. During the year the Department developed a draft Air Quality Permitting Protocol.
2005	PAC concurs: 10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	**Partially implemented** (as at March 31, 2006). Some progress made.
2005	PAC concurs: 10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	**Partially implemented** (as at March 31, 2006). Some progress made during the year, such as developing standard compliance forms to be used for monitoring complaints.
2005	PAC concurs: 10-5 that the Department of Environment should complete its human resource plan including a plan for employee training to regulate air emissions.	**Partially implemented** (as at March 31, 2006). The Department has taken steps towards completing its human resource plan.
2005	PAC concurs: 10-6 that the Department of Environment should establish systems to collect and maintain information to prepare reliable reports.	**Not implemented** (as at March 31, 2006). No progress made.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 10-7 that the Department of Environment should improve its internal and external reporting on air emissions.	**Partially implemented** (as at March 31, 2006). The Department has taken some steps to improve its reporting.
Department of Finance		
2005	**CR4.** The Standing Committee on Public Accounts agrees with the Provincial Auditor's recommendation* and notes that the loans to the Education Infrastructure Financing Corporation have now been written off and that the Standing Committee on Public Accounts believes that the Saskatchewan Crop Insurance Programme should continue to operate as it currently does. *[We recommend that the Government account for loans to Crown corporations in accordance with Canadian generally accepted accounting principles for the public sector.]	**Partially implemented** (as at March 31, 2006). The Education Infrastructure Financing Corporation was wound up in August 2004. Loans to Saskatchewan Crop Insurance Corporation are not accounted for in the General Revenue Fund in accordance with Canadian generally accepted accounting principles for the public sector (See Chapter 15 – Finance for details)
2005	**CR6.** The Standing Committee on Public Accounts recommends that the Government should direct all Treasury Board agencies to use an accountability framework that focuses on results as operational capacity permits.	**Not implemented** (as at March 31, 2006). The Government has not made this directive. A follow-up is planned for 2007.
2005	PAC concurs: 9-3 that the Government should require departments and Treasury Board agencies to publish their planned targets for major long-term results.	**Not implemented** (as at March 31, 2006). The Government has not established this requirement. A follow-up is planned for 2007.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of First Nations and Métis Relations (formerly part of Government Relations and Aboriginal Affairs)		
2005	PAC concurs: 5-1 that the Department of Government Relations and Aboriginal Affairs should take adequate steps to ensure the information used to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce is consistent and reliable.	**Partially implemented** (as at September 30, 2005). A follow-up is planned for early 2007.
2005	PAC concurs: 5-2 that the Department of Government Relations and Aboriginal Affairs should inform the public of its progress in achieving short, mid, and long-term measurable targets that contribute to the increased participation of Aboriginal people in the provincial workforce.	**Partially implemented** (as at September 30, 2005). A follow-up is planned for early 2007.
2005	PAC concurs: 7-1 that the Department of Government Relations and Aboriginal Affairs should ensure that it receives sufficient and timely information from each community development corporation to determine if each corporation properly managed public money and spent it only as permitted by law.	**Partially implemented** (as at March 31, 2006). See Chapter 19–First Nations and Métis Relations for a status update.
2005	PAC concurs: 8-1 that the Department of First Nations and Métis Relations should follow all of its processes to ensure the First Nations Trust properly protects public money and spends it as required by law.	**Partially implemented** (as at March 31, 2006). See Chapter 19–First Nations and Métis Relations for a status update.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Government Relations (formerly part of Government Relations and Aboriginal Affairs)		
2005	PAC concurs: 7-3 that the Department of Government Relations and Aboriginal Affairs should set out the reports it needs to monitor the Northern Revenue Sharing Trust Account's operations, and set up a process to oversee the Northern Revenue Sharing Trust Account's operations.	**Partially implemented** (as at December 31, 2005). Progress noted in the last year. (See Chapter 8–Government Relations in the 2006 Report – Volume 1 for details).
Department of Industry and Resources		
2005	PAC concurs: 4-1 that the Department of Industry and Resources should prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due the Department.	**Partially implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
2005	PAC concurs: 4-2 that the Department of Industry and Resources should develop and implement a formal training / learning plan for its auditors.	**Partially implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
2005	PAC concurs: 4-3 that the Department of Industry and Resources should improve its supervisory practices to ensure that audits are approved and carried out as planned.	**Partially implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
2005	PAC concurs: 10-1 that the Department of Industry and Resources should use systematic processes to detect risks to all its objectives.	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007-08.
2005	PAC concurs: 10-2 that the Department of Industry and Resources should quantify the likelihood and impact to strategic risks to identify priorities.	**Not implemented** (as at December 31, 2004). A follow-up is planned for 2007-08.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Health		
1999	PAC concurs: 24.52 that the Department [of Health] should work with District Health Boards to ensure they submit complete and timely performance reports.	**Partially implemented** (as at March 31, 2006). The RHAs are providing timely performance reports but they contain few performance targets.
2002	**CR5.** The Standing Committee on Public Accounts recommends that the Department of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long term (e.g. 10 years or more) for the highest provincial health needs.	**Partially implemented** (as at March 31, 2006). The Department has determined priority health needs but needs to set specific health status objectives.
2002	PAC concurs: 1E-2 that the Department of Health should monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.	**Partially implemented** (as at March 31, 2006). The Department has increased its capacity to monitor and report on the achievement of its objectives.
2002	PAC concurs: 2D-1 that boards of Regional Health Authorities (RHAs) should improve the relevance of financial and program information they receive by requesting: 1). timely reports. Boards should request that they receive reports as soon as possible after the end of the reporting period, preferably within 30 days, and at least one week before meetings; 2). reports that describe progress towards goal and objectives. Boards should continue their efforts to define performance measures and should focus their efforts on defining a limited set of key measures that monitor progress toward the board's most critical objectives; and 3). reports that help them look ahead. Reports should include projections or forecasts (e.g., of results, service delivery volumes, staffing levels).	**Partially implemented** (as at March 31, 2006). All implemented except RHAs have not set performance targets to measure progress in meeting objectives.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 2D-2 that boards of RHAs should improve the reliability of financial and program information they receive by ensuring: reports include information about the financial position and program effectiveness of significant affiliates; reports disclose significant assumptions used in preparing projections or forecasts; and RHAs standardize the way they collect and safeguard information.	**Partially implemented** (as at March 31, 2004). Some improvements have been made to improve the reliability of financial and program information but more improvements are needed. A follow-up is to be done in 2007.
2002	PAC concurs: 6D-1 that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2006). Capital equipment plans are improving but still do not contain all key elements of good plans.
2005	PAC concurs: 2-1 that the Boards of Governors of the Regina Qu'Appelle and Saskatoon Health Regions should commit to workplace safety as a priority and that the boards should: - set specific targets to reduce work-related injuries to care staff in the short term; - allocate resources to achieve the targets (e.g. staff or mechanical aids); - receive frequent reports about injury rates and actions to reduce injuries; and - hold senior managers accountable to reduce injuries.	**Partially implemented** (as at September 30, 2006). All partially implemented with slower progress by Regina Qu'Appelle.
2005	PAC concurs: 2-2 that the Regina Qu'Appelle and Saskatoon Health Regions should analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.	**Partially implemented** (as at September 30, 2006). Both Health Regions have done some work on this but more is needed.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2-3 that the occupational health committees of the Regina Qu'Appelle and Saskatoon Health Regions should: - monitor injury trends at least quarterly; - analyze the causes of injuries in areas with high injury rates at every meeting; and - make written recommendations to senior management and their board to fix unresolved causes of injuries.	**Partially implemented** (as at March 31, 2006). The Saskatoon Health Region has implemented this recommendation. The Regina Qu'Appelle Health Region still needs more improvement.
2005	PAC concurs: 2A-1 that the Department of Health should develop a capital assets plan to help ensure that it can carry out its strategic plan.	**Partially implemented** (as at March 31, 2006). The Department has a draft plan that it is using to consult with stakeholders.
2005	PAC concurs: 2C-1 that the boards of directors of all regional health authorities (RHAs) should define the RHAs' objectives and the measures and targets needed to monitor progress in achieving the objectives; and the RHAs' internal reports to the boards of directors should compare actual performance to planned performance.	**Partially implemented** (as at March 31, 2006). Some measures now have targets. Most RHAs still do not receive adequate internal reports.
2005	PAC concurs: 2C-3 that the Regina Qu'Appelle Regional Health Authority should establish financial management policies.	**Partially implemented** (as at March 31, 2006). Some progress made.
2005	PAC concurs: 2C-8 that the Prairie North, Heartland, Cypress, Sunrise, Kelsey Trail, Saskatoon and Mamawetan Churchill River Regional Health Authorities should prepare information technology disaster recovery plans.	**Partially implemented** (as at March 31, 2006). Heartland, Cypress, Sunrise, and Saskatoon RHAs have prepared disaster recovery plans. Kelsey Trail, Mamawetan Churchill River, and Prairie North are currently working on their plans.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2C-14 that all the Regional Health Authorities' annual reports should include: - their objectives, performance measures, and actual results compared to plans; and - the risks to achieving the RHAs' objectives, and how the RHA will manage the risks.	**Partially implemented** (as at March 31, 2006). Some progress made.
2005	PAC concurs: 2C-2 that the Cypress, Kelsey Trail, Mamawetan Churchill River and Saskatoon Regional Health Authorities should establish information technology policies and procedures that are based on a threat and risk analysis.	**Partially implemented** (as at March 31, 2006). Cypress, Kelsey Trail, Mamawetan Churchill River, and Saskatoon RHAs are working on policies and procedures.
2005	PAC concurs: 2C-3 that the Keewatin Yatthe Regional Health Authority should follow its established information technology policies and procedures.	**Partially implemented** (as at March 31, 2006). Some progress made.
Department of Health (MACSI)		
2005	PAC concurs: 2E-3 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should establish a long-term strategic plan and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.	**Partially implemented** (as at March 31, 2006). MACSI prepared an annual business and financial plan. It has not yet prepared a strategic plan.
2005	PAC concurs: 2E-5 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should provide governance training for its members.	**Partially implemented** (as at March 31, 2006). See Chapter 2A – Health for a status update.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2E-6 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should periodically assess its own performance.	**Not implemented** (as at March 31, 2006). See Chapter 2A – Health for a status update.
2005	PAC concurs: 2E-9 that Department of Health should work with the Métis Addictions Council of Saskatchewan Inc. (MACSI) to determine the amount that the former executive committee members of the board of directors owe MACSI and try to recover the money.	**Partially implemented** (as at March 31, 2006). See Chapter 2A – Health for a status update.
2005	PAC concurs: 2E-10 that Department of Health should strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include: - Doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance; - Identifying objectives and performance measures for each CBO; - Reviewing each CBO's performance reports routinely; - Carrying out regular on-site assessments of high risk CBOs; and - Attending board of director's meetings of high risk CBOs.	**Partially implemented** (as at March 31, 2006). Implemented except that the Department has not done a risk assessment on all CBOs.
2005	PAC concurs: 2E-13 that Department of Health should ensure the Métis Addictions Council of Saskatchewan Inc. (MACSI) implements recommendations 1-8 of this report.	**Partially implemented** (as at March 31, 2006) As noted above, some progress has been made.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Health (Saskatchewan Prescription Drug Plan)		
2005	PAC concurs: 4-1 that the Department of Health should develop a plan to monitor and evaluate drug use in the population.	**Not implemented** (as at March 31, 2006). See Chapter 2A – Health for a status update.
2005	PAC concurs: 4-2 that the Department of Health should set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.	**Not implemented** (as at March 31, 2006). See Chapter 2A – Health for a status update.
Department of Justice		
1999	**CR65.** That the Department of Justice should review its procedures for collecting fines and further, that procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.	**Partially implemented** (as at March 31, 2006). The Deputy Minister told the Committee that the limitations of their existing fines system prevent Justice from efficiently providing this information to the courts. This system is in the process of being replaced, and Justice intends to explore the feasibility of automated tracking of this information.
2002	PAC concurs: 9-1 that the Department of Justice should: follow its established procedures for recording tickets distributed to law enforcement agencies; and strengthen its procedures to ensure that the Department of Justice records tickets issued by law enforcement agencies are recorded.	**Partially implemented** (as at March 31, 2006). The Department has an effective system to track the distribution of tickets to Law Enforcement agencies. The Department has taken steps to improve the tracking of returned tickets, including consultations with policing agencies and a directive to submit all spoiled and voided tickets effective April 1, 2006.
Department of Justice (Superintendent of Pensions)		
2005	PAC concurs: 5-1 that the Superintendent of Pensions should expand its analysis of pension plan risks to include the key risks faced by all pension plans.	**Not implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 5-2 that the Superintendent of Pensions should prepare a risk-based work plan to supervise pension plans.	**Not implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
2005	PAC concurs: 5-3 that the Superintendent of Pensions should provide staff with written guidance regarding information to document for the registration and amendment of pension plans.	**Not implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
2005	PAC concurs: 5-4 that the Superintendent of Pensions should develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain the required information.	**Not implemented** (as at March 31, 2005). A follow-up is planned for 2007-08.
Department of Learning		
1999	**CR59.** In consideration of the recommendation made at paragraphs 18.21, 18.22, 18.23 and 18.24, concerning the reporting responsibilities and expectations the Department of Learning has for school divisions under Section 282 of the *Education Act, 1995*, your Committee recommends the following to the Legislative Assembly: The Department of Learning should continue working with the locally elected school boards and other stakeholders to improve public accountability of school divisions with respect to the goals of education.	**Partially implemented** (as at March 31, 2006). The Department continues to work with school divisions to improve public accountability with respect to the goals of education recognizing the mandated role of the school divisions and their current public reporting. Working with school divisions and others, the Department developed a pre-kindergarten to grade 12 Continuous Improvement Framework that focuses on advancing student outcomes; clarifying roles and responsibilities; and implementing a planning cycle to advance common system-wide and local priorities. The Department began implementing the Framework in February 2006.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**CR60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Partially implemented** (as at March 31, 2006). The Department continues to work with the Saskatchewan Association of School Business Officers to improve on the financial reporting standards and full compliance. The Department has set a two year implementation timeline with a target date of August 31, 2009 for all school divisions to be in full compliance.
1999	**CR68.** The Department of Learning should verify critical information on student loan applications.	**Partially implemented** (as at March 31, 2006). The Department made some improvements to when and how it verifies certain critical information on student loan applications. Further changes are planned.
2005	PAC concurs: 4-1 that the Department of Learning should set out the rate of incorrect payments for the Provincial Training Allowance program that it will accept, and use procedures that prevent and detect incorrect payments to meet the pre-established rate.	**Partially implemented** (as at March 31, 2006). The Department has set the rate and taken steps to improve the procedures that prevent and detect incorrect payments. However, more work is required as the overpayment experience continues to be higher than it deems acceptable.
2005	PAC concurs: 13-1 that the Department of Learning should obtain from school divisions comparisons of planned and actual costs and timing by key stage for each approved project.	**Partially implemented** (as at October 31, 2005). The Department developed a new approval process for capital projects and began using it in the fall of 2005. A follow-up is planned for in 2007 to ensure the process is used at all key stages of a project.
2005	PAC concurs: 13-2 that the Department of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects.	**Partially implemented** (as at October 31, 2005). The Department is developing a project checklist to help it standardize its risk assessment process among its partners.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Board of Internal Economy		
2003	**CR1.** The Standing Committee on Public Accounts recommends to the Assembly that those chapters of the Provincial Auditor's Reports dealing with the Board of Internal Economy be referred to the Board for its review and consideration.	**Not implemented** (as at March 31, 2006). PAC has recommended to the Legislative Assembly that this matter be referred to the Board of Internal Economy. To date, the referral has not been made.
2005	**CR1.** The Standing Committee on Public Accounts recommends that chapter 17 of the 2004 Report of the Provincial Auditor (Volume 3) be withdrawn from the agenda and that the committee recommend that it be referred to the Board of Internal Economy.	**Not implemented** (as at March 31, 2006). PAC has recommended to the Legislative Assembly that this matter be referred to the Board of Internal Economy. To date, the referral has not been made.
Information Technology Office		
2005	PAC concurs: 12-1 that the Government should clarify which agency is responsible to oversee the security of CommunityNet.	**Partially implemented** (as at March 31, 2005). Will be assessing in future audits.
2005	PAC concurs: 12-2 that the Government should approve and implement security and data classification policies to protect information carried on CommunityNet.	**Partially implemented** (as at March 31, 2005). Will be assessing in future audits.
2005	PAC concurs: 12-3 that the Government should make the agency responsible for overseeing the security of CommunityNet also responsible for monitoring security and ensuring corrective action is taken.	**Not implemented** (as at December 31, 2004). Will be assessing in future audits.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Liquor and Gaming Authority		
2003	PAC concurs: 6B-4 that the Board of Directors of the Saskatchewan Indian Gaming Authority should define its operational and financial information needs and communicate those needs to management for regular reporting. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2006). SIGA has defined its financial reporting needs. SIGA's Board has made progress defining its operational reporting needs.
2003	PAC concurs: 6B-6 that the Saskatchewan Indian Gaming Authority should establish policies and procedures for its marketing and promotion activities. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2006). SIGA has developed policies and procedures in many areas of marketing and promotion but needs to comply with approved policies.
2003	PAC concurs: 6B-9 that the Saskatchewan Indian Gaming Authority should establish accounting policies and procedures to ensure that its books and records reflect its business operations and there is support for all transactions. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2006). SIGA has developed policies in these areas but must ensure employees comply with these policies in the area of travel and business expenses, marketing and promotion, and accounting.
2005	PAC concurs: 5A-2 that the Liquor and Gaming Authority should follow its rules and procedures to reconcile promptly its recorded bank balances to the bank's records.	**Partially implemented** (as at March 31, 2006). Liquor and Gaming did not prepare timely bank reconciliations for the first 9 months of the year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 5B-2 that SIGA should: #1 - complete and implement its human resource plan; #2 - ensure its casinos consistently follow established human resource policies; #3 - prepare and provide to SIGA's Board more information about how SIGA is managing its staff retention risks; and #4 - prepare and provide to SIGA's Board more information about the effectiveness of SIGA's training activities.	**Partially implemented** (as at March 31, 2006). SIGA has implemented #2 and #3 and continues to improve its human resource plan and training information provided to the Board.
Public Service Commission		
2005	PAC concurs: 2-1 that the Public Service Commission should communicate to departments a manageable number of human resource priorities.	**Partially implemented** (as at September 30, 2006). Some progress in year. (See Chapter 7 – Public Service Commission for details)
2005	PAC concurs: 2-2 that the Public Service Commission should use a risk management framework to identify and analyze human resource risks and set acceptable risk levels.	**Partially implemented** (as at September 30, 2006). The Public Service Commission is beginning to use a risk management framework. (See Chapter 7 – Public Service Commission for details)
Saskatchewan Crop Insurance Corporation		
2002	PAC concurs: 4-4 that the Saskatchewan Crop Insurance Corporation should ensure that adjusters leave clear evidence of work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2006). Saskatchewan Crop Insurance Corporation continues to improve the documentation of its adjusters' work.
2002	PAC concurs: 4-5 that the Saskatchewan Crop Insurance Corporation should ensure that auditors leave clear evidence of the work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2006). The Audit Division plan indicates the number and type of claims that will be audited and when based on risks but needs to document the rationale for the number and type of claims being audited.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 13-2 that the Board of Directors of Saskatchewan Crop Insurance Corporation should approve a work plan for its internal auditor based on a risk assessment of the Corporation's activities.	**Partially implemented** (as at March 31, 2006). The Corporation has undertaken an enterprise risk management assessment to help them towards developing a risk based internal auditor work plan.
Workers' Compensation Board		
2005	PAC concurs: 11-3 that the Workers' Compensation Board Superannuation Plan should establish policies and procedures to ensure that all investments held by the Plan comply with the law and its investment objectives.	**Partially implemented** (as at December 31, 2005) The Plan is now called the Pension Plan for the Employees of the Workers' Compensation Board and has established some processes to ensure investments comply with the law and the Plan's investment objective.

This page left blank intentionally.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2005*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3; 2005, c.L-112, s.97.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.
1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.
1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.
1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.
1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.
1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts. the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13;2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

REGINA, SASKATCHEWAN
Printed by the authority of
THE QUEEN'S PRINTER
Copyright © 2005

Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at July 31, 2006.

This Appendix includes the status of those audits at October 31, 2006. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2006 Rpt V2
Departments and Secretariats:			
Department of Advanced Education and Employment	March 31	Note 4	
Department of Agriculture and Food	March 31	Complete	Yes/2006 Rpt V3
Department of Community Resources	March 31	Complete	Yes/2006 Rpt V3
Department of Corrections and Public Safety	March 31	Delayed	
Department of Culture, Youth and Recreation	March 31	Complete	No
Department of Environment	March 31	Complete	Yes/2006 Rpt V3
Department of Finance	March 31	Complete	Yes/2006 Rpt V1, V2, & V3
Department of First Nations and Métis Relations	March 31	Complete	Yes/2006 Rpt V3
Department of Government Relations	March 31	Complete	Yes/2006 Rpt V1 & V3
Department of Health	March 31	Complete	Yes/2006 Rpt V1 & V3
Department of Highways and Transportation	March 31	Complete	Yes/2006 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2006 Rpt V3 & Note 2
Department of Justice	March 31	Complete	Yes/2006 Rpt V3
Department of Labour	March 31	Complete	Yes/2006 Rpt V3
Department of Learning	March 31	Complete	Yes/2006 Rpt V1 & V3
Department of Northern Affairs	March 31	Complete	Yes/2006 Rpt V3
Department of Property Management	March 31	Complete	Yes/2006 Rpt V1 & V3
Department of Regional Economic and Co-operative Development	March 31	Complete	No
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2006 Rpt V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
3364381 Canada Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Complete	No

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 30	Note 4	
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Rotational	
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Inc.	December 31	Note 1	
CIC Swine Genetics (NL) B.V.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	Yes/2006 Rpt V1
Community Initiatives Fund	March 31	Complete	Note 3
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Complete	No
Cypress Hills Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Note 4	
Five Hills Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Gradworks Inc.	December 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 1	

Appendix 2

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2006 Rpt V1 & V3
Liquor Board Superannuation Commission, The	December 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
Nokomis Holding (U.S.), Inc.	December 31	Note 1	
North Saskatchewan Laundry and Support Services Ltd.	March 31	Note 1	
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
The Phone Book Company Partnership	December 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Prairie West Regional College	June 30	Complete	No
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2006 Rpt V1 & V3

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Public Service Commission	March 31	Complete	Yes/2006 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2006 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2006 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Delayed	Yes/2006 Rpt V3
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Foundation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2006 Rpt V1
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 3
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2006 Rpt V1 & V3
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Holding (Australia), Inc.	December 31	Note 1	
SaskTel Holding (New Zealand) Inc.	December 31	Note 1	
SaskTel Holding (U.K.) Inc.	December 31	Note 1	

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel International (Tanzania) Ltd.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Delayed	Yes/2006 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Note 4	
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2006 Rpt V1
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	Yes/2006 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2006 Rpt V3
Highways Revolving Fund	March 31	Inactive	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Inactive	
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2006 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	Yes/2006 Rpt V1
Office of the Rentalsman—Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2006 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	Yes/2006 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	Yes/2006 Rpt V3
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	No
SAHO Core Dental Plan	December 31	Delayed	
SAHO Disability Income Plan – CUPE	December 31	Delayed	
SAHO Disability Income Plan – SEIU	December 31	Delayed	
SAHO Disability Income Plan – General	December 31	Delayed	
SAHO Disability Income Plan – SUN	December 31	Delayed	
SAHO Group Life Plan	December 31	Delayed	

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
SAHO In-scope Extended Health/ Enhanced Dental	December 31	Delayed	
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Technology Supported Learning Revolving Fund (formerly Correspondence School Revolving Fund)	March 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2006 Rpt V3
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2006	Status at October 31, 2006[1]	Significant issues reported[2]
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2005, these subsidiary corporations did not carry out active operations.

Note 2: For 2006, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 3: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 4: These agencies were recently created or became Crown agencies. December 31, 2006, March 31, 2007, and June 30, 2007 will be the first year-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

---

[1] "Complete" – the audit was complete at October 31, 2006.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits

were complete at October 31, 2006 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

2. "No" - no significant issues were reported.
"Yes/2006 Rpt V1" – significant issues were reported in our 2006 Report – Volume 1.
"Yes/2006 Rpt V2" – significant issues were reported in our 2006 Report – Volume 2.
"Yes/2006 Rpt V3" – significant issues are reported in our 2006 Report – Volume 3.

This page left blank intentionally.

Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

> I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.
>
> - To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
> - To prepare reliable financial statements.
> - To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

This page left blank intentionally.

This page left blank intentionally.

This page left blank intentionally.